COPENHAGEN BUSINESS SCHOOL
HANDELSHØJSKOLEN
SOLBJERG PLADS 3
DK-2000 FREDERIKSBERG
DANMARK

www.cbs.dk

ISSN 0906-6934

Print ISBN: 978-87-92842-76-3
Online ISBN: 978-87-92842-77-0

The Owners and the Power: Insights from Annual General Meetings

PhD Series 25.2012

Copenhagen Business School
HANDELSHØJSKOLEN

The Owners and the Power: Insights from Annual General Meetings

Therese Strand

The PhD School of Economics and Management

PhD Series 25.2012

THE OWNERS AND THE POWER

Insights from Annual General Meetings

Therese Strand

PhD Thesis

Centre for Corporate Governance

Department of International Economics and Management

Copenhagen Business School

Therese Strand
The Owners and the Power: Insights from Annual General Meetings

1st edition 2012
PhD Series 25.2012

ISSN 0906-6934

Print ISBN: 978-87-92842-76-3
Online ISBN: 978-87-92842-77-0

"The Doctoral School of Economics and Management is an active national and international research environment at CBS for research degree students who deal with economics and management at business, industry and country level in a theoretical and empirical manner".

TO LINNAH AND AMILON VIKING

The Owners and the Power: Insights from Annual General Meetings
Therese Strand
Center for Corporate Governance
Copenhagen Business school
June 27th 2012

ABSTRACT

This thesis consists of five empirical studies, all relating to shareholder activism at annual general meetings.

The first study concerns the structure and content of general meetings in Denmark and Sweden comparatively. The paper reveals significant differences in the level of activism, with Swedish investors being the most active in terms of proposals, proxy voting, and ‘voice’. The paper takes a legal approach, and discusses divergence in activism levels from the perspective of shareholder prerequisites to engage in monitoring efforts. Further, the paper investigating the topics addressed through questions and opinions. The results show that matters which can be categorized as irrelevant are reasonably rare. This is an important finding, as suggestions to abolish general meetings have often been based on the assumption that general meetings facilitate nothing but irrelevant, time consuming, and costly discussions that serves no monitoring function.

The second study analyses the impact of voting power on shareholder activism. We hypothesize that there is a positive relationship between shareholder activism and a measure of the largest shareholder’s sensitivity to increased participation by small shareholders and find that firms’ amenability to small shareholder influence leads to more proposals by the nomination committee, but fewer proposals by other shareholders. We interpret this as evidence that the shareholder elected nomination committees effectively channel shareholder concerns and preempt other kinds of activism. Politicians and companies that desire active shareholders could improve the amenability of firms to shareholder influence by ownership transparency, shareholder committees, and contacts with shareholder associations and other vehicles for collective action.

The third study investigates the effects of asymmetric information on shareholder activism. Outside shareholders face an information problem since managers tend to have better information about the state of the firm and conflicting incentives. To the extent that these

asymmetric information problems mirror the risk of potential mismanagement, one would expect shareholder activism to reflect this. Using data on shareholder proposals from Swedish annual general meetings as the basis for this research it is found that shareholders react to asymmetric information by increasing the number of proposals. By using Sweden as the testing ground, the importance of local corporate governance mechanisms such as control-enhancing mechanisms and business groups can be studied. Such mechanisms are important because they carry decision-making power over both board composition and who holds the position of CEO. Presumably, such influence reduces asymmetric information and shareholders' inclination to make proposals and this is exactly what we find. Regulators and companies may preempt some critical shareholder activism by improving (reducing) public (asymmetric) information. Regulators should also be aware that less public and more private information exists in some high-powered ownership structures and that democratic deficits may have adverse effects.

The forth paper investigates shareholder activism by observing Swedish portfolio managers' behavior at firms' annual general meetings. Institutional shareholders' voting behavior and tendencies for raising opinions at the general meetings are related to firm characteristics, suggested by both agency theory and institutional perspectives. The results show that institutional shareholders are more likely to be active in large firms, which appear a lot in media, and have a large proportion of institutional ownership. Portfolio managers appear not to consider bad firm performance as a reason for targeting firms. Instead, managers' behavior is consistent with the institutional notion that they benefit from the activism themselves, without trying to improve target firms' performance. In view of this notion, it is rational for managers to be active in large firms, with large media coverage, achieving their 15 minutes of fame at the general meetings.

The fifth paper deals with cross-border voting by American state pension funds. Despite that the importance of institutional investors is well recognized, cross-border activism has gone nearly unnoticed in academic literature. In this study we empirically investigate American state pension funds' activism abroad, exploring potential replications in voting behaviour across legal settings. The results show that having published an investment policy significantly increases the number of votes against routine proposals, while having a domestic proxy voting policy significantly decreases them. Domestic voting policy also significantly decreases the number of votes against non-routine proposals, while having an international voting policy and/or relying on proxy voting recommendations are insignificant as explanatory variables for cross-border voting patterns. The results suggest that cross-border voting patterns reflect how informed investors are, and that less informed investors tend to vote against board proposals more systematically.

Keywords: agency theory, asymmetric information, business groups, corporate governance, corporate law, cross-border voting, dual-class shares, general meeting, institutional investors, ownership structure, proxy voting, shareholder activism, voting power.

TABLE OF CONTENTS

ACKNOWLEDGEMENTS

First to the reader: thank you for reading this.

Only now when writing the acknowledgements it strikes me how many have contributed to this thesis, and how long the journey has been. I want to thank my supervisor particularly; Professor Steen Thomsen at Copenhagen Business School, for encouragement and endless amounts of feedback. His generosity towards junior researchers is remarkable and highly appreciated. Thanks for everything.

Professor Mark Roe supervised me during my stay as visiting researcher to Harvard Law School. I owe him a great deal of gratitude for feedback, encouragement, and intellectual development.

My co-authors Professor Lars Nordén, and assistant professor Thomas Poulsen are great colleagues and friends. I've had a lot of fun writing our joint papers. Thank you for this successful cooperation.

No research without finance. I owe gratitude to Oticon Fonden, Thriges Fond, LD, Dansk Industri and A.P. Møller-Mærsk, for funding of the project "Dansk selskabsledelse i praksis". Further, gratitude goes out to the CBS World Class Funds and Professor Niels Mygind for funding my exchange stay at Harvard Law School. I'm also grateful to the Centre for Business and Policy Studies in Stockholm for a PhD scholarship and to the Jan Wallander and Tom Hedelius foundation and the Tore Browaldh foundation for research support in relation to paper four on shareholder activism among portfolio managers.

This thesis is based on primary data collected at annual general meetings in listed firms. Access to general meetings is highly restricted. Still, a large number of firms have granted me access, sometimes after a shareholder vote. I wish to thank all firms and shareholders that have facilitated this thesis by accepting my presence at their general meeting. This includes some hundreds of firms in Denmark, Sweden, and the United States. Further I'm grateful for help from the Shareholders' Association in Sweden. I'm also grateful to a large number of American institutional investors that have taken the time to meet me for discussions on institutional proxy voting strategies and cross-border activism, and to the proxy advisory firms Risk Metrics and Glass-Lewis for consultations and insights on the same topic.

Valuable comments have been received from – in addition to those already mentioned above, associate professor Hanne Søndergaard Birkmose, Professor Randall Morck, associate professor Yupana Wittanakantang, Professor Randall Thomas, Professor Thomas Hartman, Professor Sven Modell, assistant professor Li Malmström, corporate lawyers Rolf Skog, Carl Svernlöv, and Gunnar Nord, and seminar participants at Stockholm University, the Centre for Business and Policy Studies, Copenhagen Business School, University of Iceland, Thammasat University, Chulalongkorn University, Harvard Law School, and Vanderbilt Law School. Thanks also to Scott, the devoted creationist I met at a local bar in the deepest American south, whose attempts to convince me that Darwin is wrong gave me the idea to consider the development of institutional investor activism an evolutionary process in paper five.

Further, I'd like to thank my fellow PhD students, particularly Julia Staunig, Nina Poulsen, and Þröstur Olaf Sigurjónsson for our much appreciated friendship, and my colleagues at the Center for Corporate Governance at CBS for support, feedback, and a stimulating working environment. I'm also grateful to the assessment committee for their work at the very last stage of my long journey: Professors Caspar Rose, Mette Neville, Stuart Gillan, and Christoph Van Der Elst.

On a final note I thank friends and family for help, support, joy, and singing in the background.

Special thanks to astrophysicist Jonathan McDowell at Harvard for rapidly providing me with a new set of friends when I moved to the United States, and for taking me to the Harvard Observatory on a dark night to show me the Andromeda galaxy and planet Jupiter with its moons spinning around. It was a remarkable experience. Mirthe, Ron, and associated family and friends: thanks for allowing me to live the way I believe we're suppose to live once in a while. I hope one day I'll be able to say that excluding 'once in a while'. Fia and Vann, thanks for offering me a home away from home. The Kallander family, thanks for offering me yet another home away from home. Jutta, thanks for all the much needed assistance and support. FS, thanks for making me happy in the middle of everything. All the sweetest winds blow across the south.

Linnea Wickström Östervall - thanks for everything and more. It's my turn to pay.

Linnah and Amilon Viking, thank you for accepting my absence when writing this thesis. Thank you for accepting my presence as well for that matter. Somehow we made it.

1. INTRODUCTION

The annual general meeting is granted high legal importance in all developed jurisdictions[1]. This follows from the recognition that shareholders, as suppliers of finance to the companies, are in need of mechanisms to ensure returns on their investments (Shleifer and Vishny, 1997). However, despite that thousands of listed corporations' throughout the world each year invite shareholders to the general meeting, research is scarce. As access is restricted – often also for media representatives – the role and function of general meetings as a corporate governance mechanism, remain largely unknown. The purpose of this thesis is to peek into the black box and empirically investigate what takes place at general meetings[2]. Focus is directed to actions and reactions by shareholders, as the general meeting is indeed intended as an owners' forum.

It's only recently, that interest in general meetings have sparked. In April 2011, the European Commission published a green paper stressing the importance of general meetings to achieve long-term sustainable returns in the corporate sector. Other directives also demonstrate ambitions to enhance and align European markets from a shareholder rights perspective (*see* European Parliament, Directive 2007/36/EC), and several issues related to the general meeting have been addressed for this purpose. Particular focus is paid to ease proxy voting regulations, remove barriers for cross-border voting, lower thresholds for the filing of shareholder proposals, and to introduce electronic tools for long-distance participation. The importance of general meetings has also been highlighted in most European national codes of corporate governance (de Jong et al., 2006). The European Commission has called for more research concerning shareholder prerequisites to engage in active ownership - particularly from different national European settings, as new, local elements to facilitate increased shareholder involvement have been introduced across the member states.

Although it's only recently that the general meeting has attracted attention, the shareholders' need to monitor management is widely recognized and elaborated on (*see for example* Shleifer and Vishny, 1986; Admati, Pfleiderer, and Zechner, 1993; Maug, 1998). Previous research deals primarily with isolated activist efforts at general meetings, for example shareholder proposals or proxy battles, based on secondary data from the United States (*see* Del Guercio and Hawkins, 1999; Smith, 1996; Wahal, 1996). These findings have limited applicability in Continental Europe, where ownership concentration is higher (Barca and Becht, 2002) and the supremacy of shareholder interests is contested (Tirole, 2006). Further, the general meeting is interesting from other perspectives than what previous research deals with, as it offers a rich variety of opportunities for monitoring. Besides shareholder proposals and proxy voting, shareholders have

[1] The states of Minnesota and North Dakota constitute exceptions. As listing rules of the New York Stock Exchange requires all listed firms to hold annual general meetings, all firms are in practice required to hold a general meeting also if being incorporated in a state that allows firms to dispense with calling the meeting. *See*, *e.g.*, Rule 302.00, New York Stock Exchange Listed Company Manual, *available at* http://www.nyse.com/lcm/lcm_section.html. (Sjostrom, 2006).

[2] General meetings are held annually in all firms (AGM). Under special circumstances general meetings can also be held between the annual meetings, so called extra general meetings (EGM).

the opportunity to express dissatisfaction and question management (so called 'voice'), and form shareholder coalitions.

The aim of this thesis is to map the function of general meetings based on empirical investigations of how general meetings are used by shareholders for monitoring purposes. Further the aim is to develop policy implications that contribute to the ongoing debate on the status of general meetings in the European corporate governance system. The thesis differentiates from previous research in three aspects. First, participant observations are used to collect a unique set of primary data on shareholder activism at general meetings. Second, following Hirschman (1970), activism is studied including both formal monitoring tools, such as shareholder proposals and voting, as well as voice – critic, protests, and questioning of management. This expands the field of research, which seldom deals with shareholder expressions of dissatisfaction despite indications that this might constitute a valuable strategy (Aggarwal, 2001; Catasus and Johed, 2007). Third, previous research from the United States is focused primarily on activist efforts by hedge funds and pension funds. Activism by private individuals or other minority actors are seldom addressed. This thesis includes studies of all investor categories; institutions, blockholders, business groups, private individuals, minorities, and foreign investors.

2. THE ANNUAL GENERAL MEETING

2.1 Legality and origin of general meetings

The legal importance of general meetings can be explained by reviewing classical theoretical dilemmas surrounding the power balance between owners and managers in firms where ownership has separated from control (*see* Berle and Means, 1932). Owners rely on professional managers to generate returns on their invested capital, and managers raise capital for productive use, creating an efficient allocation of resources. Although a successful strategy to generate large firms, this setup leaves management with substantial residual control, due to information asymmetries and conflicting incentives – the agency problem (*see* Jensen and Meckling, 1976). The core dilemma is rooted in contractual theory (*see* Coase, 1937; Simon, 1951; Williamson, 1964; Arrow, 1969; Alchian and Demsetz, 1972), and the difficulties associated with designing complete contracts as future events cannot be foreseen. Imperfections in the contractual setup leave managers with power to allocate and reallocate the owners' capital in accordance with their own preferences at the owners' expense.

General meetings are aimed as a response to these problems, and historically founded with the purpose of regulating agency relationships (Cordery, 2005; Davey, 1895; Apostolides and Boden, 2005). This protection is important, as rational investors would otherwise not be willing to invest (La Porta et al., 2000). Theory provides only limited explanations to how it's possible for insiders to sell stock to outsiders in a setup of incomplete contracts, but control rights that follow the asset has been suggested as an important part of the explanation (Maug and Rydqvist, 2001). The most important control right is the right to vote at the general meeting. Voting rights complement and compensate shareholders for incomplete contracts (Baums, 2000), and thus, constitute an important part of the share value (Amzaleg et al, 2005).

General meetings first appear as initial attempts to practice local democracy in the twelfth century (O'Donnell, 1952). In Switzerland, for example, townsfolk gathered to vote for a number of agenda items once a year (Bavly, 1999, from Cordery, 2005), and the early parish structure in Great Britain contained yearly general meetings to vote for top officials in a local governance system (*see* Webb and Webb, 1924; Tate, 1960, from Cordery, 2005). Already then, general meetings were subjected to challenges that are central in today's corporate governance discussions; apathy and unwillingness to participate unless one had a particular interest to protect, trifling discussions and time wasted on issues foreign to the subject, or battles lasting to midnight, are events commonly recounted in historical minutes (Cordery, 2005). Over time, the general meetings that initially related to land ownership and local government practices, expanded and were incorporated into business acts with the emergence of the first joint-stock corporations (Cordery, 2005).

General meetings appear to have been exported to the United States from Great Britain, where they were transferred from the first state general incorporation statutes to the Delaware Code (Franklin, 2002). In Great Britain, the requirement to present a balance sheet to shareholders on a regular basis was introduced with the Companies Clauses Consolidation Act of 1845 (Armstrong and Jones, 1987), and the 1844 Joint Stock Companies Act legislated for an annual general meeting (Cordery, 2005). In the United States, general meetings are required by corporate law in all but two states (Sjostrom, 2006), but stock exchange listing standards makes the practice mandatory[3] also if being incorporated in a state that allow firms to dispense with holding general meetings. The mandatory nature of general meetings has been subjected to debate and in 1996, the Delaware Chancery Court ruled in favor or the mandatory annual general meeting, in *Hoschett vs. TSI International Software, Ltd* (Hoschett, 683 A.2d 43 (Del.Ch. 1996). *See* Sjostrom, 2006)[4].

[3] The New York Stock Exchange began requiring general meetings as part of the listing standards in 1909.

[4] Under Delaware corporate law, annual general meetings are one of few mandatory provisions. However, the Delaware Code also allows shareholders to take any required action at the general meeting through written consent outside the meeting. TSI had never held a general meeting when shareholder Hoschett brought a suit against the corporation. TSI responded referring to the Delaware Code Section 228(a) claiming it had fulfilled the requirement to hold a general meeting (section 211) by electing directors through shareholder written consent, and thus, that no general meeting was required. The Delaware Chancery Court concluded that the state of Delaware recognizes annual general meetings as "central" in the corporate governance system, and that the requirement to hold such meetings stated in Section 211 trumped Section 228(a), and thus, cannot be fulfilled through shareholder written consent. (Sjostrom, 2006).

2.2 Purpose and prerequisites of general meetings

Legislation does not provide any explanations to why general meetings should be held. The definition of the general meeting's competence has therefore been subject to debate (*see* Baums, 2000). The legal provisions of general meetings also differ across jurisdictions. In Germany, for example, the general meeting is to deal with a limited number of corporate issues, while in Sweden it is considered the ultimate decision making body. In the United States, some competencies are indispensable according to state corporate law and stock exchange listing standards, while others depend on the individual firm's articles of association (Baums, 2000).

Scholars and policy makers have suggested a multitude of purposes with holding general meetings. Ranging from agency perspectives, the general meeting has been considered a *"key mechanism for promoting transparency and accountability in the management of company"* (Company Law Review Steering Group, Great Britain, 1999:1). Hodges et al (2004) suggest that general meetings are to be seen as "rituals" and that the main purpose is to maintain status quo. Iwantani and Taki (2009) propose that general meetings are aimed to make important business decisions, monitor internally appointed directors, and provide advice to management. More extensive definitions of the purpose include the exercise corporate democracy, confrontation of management, and to provide opportunities for deliberation and for shareholders to bring matters to the shareholder collective (Sjostrom, 2006).

The most extensive analysis of the role and purpose of general meetings have been developed by Strätling (2003), who argue that the effectiveness of annual general meetings as a mechanism to regulate agency relationships depends on three equally important and interdependent prerequisites. First, the general meeting needs to provide shareholders with information on financial performance. Transfer of correct information from the management to the owners, is crucial for the shareholders' ability to engage in the running of the firm, participate in corporate decision making, evaluate managerial performance, and hold managers to account of their actions. Second, the general meeting should be aimed as a forum where the board of directors can gain shareholder consent for decisions outside managerial discretion. This includes a mixture of decisions that are legally required to be ratified by shareholders, and decisions that are presented voluntarily for shareholders to consent on. Third, the general meeting is to serve as an arena for discussions among shareholders and for face to face interaction between shareholders and management – a prerequisite that is often overlooked and neglected.

2.3 Criticism and sidestepping of general meetings

The general meeting has been subjected to extensive debate surrounding its effectiveness. Sjostrom (2006) argues that general meetings are an outdated practice, which made more sense in a time when ownership was less dispersed, shareholders more concentrated to a local geographic area, the practice of proxy voting had not yet been developed and communication technology was primitive. Under these circumstances attendance was likely to be higher, providing shareholders with the opportunity to nominate competing proposals – an opportunity that is non-existent today as no shareholder body exists due to low attendance rates. Sjostrom (2006) criticizes the general meeting for being too controlled by management to function as a forum for monitoring and deliberation, claiming that shareholder democracy is not a feasible solution anyway which is why corporate law states that the large firm should be managed by a board (*see also* Bainbridge, 2002).

Sjostrom (2006) brings up the example of Halliburton who, in 2006, was accused of deliberately holding its general meeting in a small Oklahoma town to prevent shareholder activists from attending (*see* Kurt, 2006), and other firms which completely suspense with question & answer sessions and deal only with minimum legal requirements (*see* Nordlund, 2005). Sjostrom (2006) also notices that the US state corporate law partly undermines one of the main purposes of the general meeting - the opportunity to confront management, as directors are not required to attend. An example brought up is the general meeting of Home Depot, Inc., which in 2006 was attended only by the chairman of the board who refused answering questions of why the other directors were not present (*see* Terhune, 2006).

Also other voices have been raised that the general meeting is altogether redundant in effective exercise of agency relationships (Apostolides, 2007; Bottomley, 2003; Hodges, Macniven and Mellett, 2004; Nilsson and Hassel, 2004; Strätling, 2003), and that the meeting often fails to achieve its legitimate purposes due to *"minority shareholders turning the meeting into a chaotic shambles"* (Saxon, 1966). Critics point at low attendance, that relevant issues are rarely discussed, and that the meeting is sidestepped by private negotiations between management and controlling investors (*see* Carleton et al, 1997; Short and Keasey, 1999; Strickland et al, 1996). Aggarwal (2001) argues that general meetings are held only because they are required by law, while Shilling (2001) describe the meeting as being at the most a *"long, tedious process [...]where the management board is seldom subject to persistent questioning and constructive criticism [...] and ideologies, political activists and other fringe groups take up far too much time"* (Schilling, 2001:149).

Low attendance levels is often claimed to be the consequence of sidestepping through private negotiations (*see* Nilsson and Hassel, 2004; Strätling, 2003; Hodges et al. 2004), a tendency common among institutional investors (*see* Short and Keasey, 1999; Pye, 2001; Roberts et al., 2006; Catasús and Johed, 2007). The development of private negotiations impacts the general meeting negatively in the sense that the core function, as intended by lawmakers, is undermined. With large shareholders targeting the firm outside the general meeting, the shareholders who exercise activism at the general meeting are solely made up by either a private person - often with minor investments in the firm, or social activists who have bought shares for the purpose to gain access to the meeting and protest the firm's practice of social responsibility (Apostolides, 2007). This leads the general meeting to fail its purpose, by becoming the tedious process where ideological activists dominate the scene with irrelevant discussions (*see* Shilling, 2001). These findings motivate additional studies to reveal who is really active at the general meeting and why.

General meetings are likely sidestepped also by management. Previous research indicates little evidence that voting is used for the purpose of control. Shareholder proposals often seem to be withdrawn prior to the general meeting (see Smith, 1996; Carleton et al, 1996), indicating bargains between the submitting shareholder and management (Maug and Rydqvist, 2001). As defeat at the general meeting is costly, management rationally prefers to settle a shareholder proposal in advance, with the consequences that the only proposals that are voted upon at the general meeting are those management are certain to win (Maug and Rydqvist, 2001).

Over the last decade, shareholder rights have also been strengthened through adoption of new corporate governance elements that works around the general meeting, including board committees[5], national codes of best practice, increased transparency requirements, and strengthened auditors. These efforts stem from a combination of policy changes following corporate failures, scholarly calls for increased shareholder empowerment (*see* Bebchuk, 2005), and a changed corporate governance landscape following the shift from private to institutional ownership. The development is particularly interesting, as it assumes that general meetings offer weak opportunities for prevention of agency problems despite that the general meeting to a large extent remains a black box of unstudied events. This additionally motivates the empirical focus of this thesis.

2.4 The impact of ownership structure

The consequences of sidestepping highlight a problematic feature of general meetings. Corporate law considers the ultimate power to rest with the shareholders as a collective, and not by any shareholder alone (Leech, 1988). This makes attendance crucial as the general meeting needs to accommodate the shareholders' accumulated power if it is to function as intended. Sidestepping is mainly a problem in firms with concentrated ownership. However, the difficulties for shareholders to act in unison are more striking in firms where ownership is dispersed. Due to collective action problems investors find it harder to coordinate their actions as the shareholder base increases. Further, dispersed investors are subjected to the free rider problem, as no single investor have incentives to engage in monitoring activities since they will have to bear the full costs of that engagement while only receiving a small fraction of the gains (Grossman and Hart, 1980; Shleifer and Vishny, 1986).

Strätling (2003) argues that the opportunity to communicate within the shareholder collective is one of the three most important prerequisites to make general meetings function effectively. This follows from the recognition that facilitating opportunities to discuss carries a potential to overcome free rider and collective action problems. In firms with a controlling investor, discussions can also generate shareholder coalitions and challenge blockholders, an important

[5] As a standard remuneration committee, election committee, and audit committee.

feature to avoid blockholders from extracting private benefits (*see* Poulsen et al. 2011). Opposite, in firms where ownership is dispersed, communication is necessary for the shareholders' collective ability to make joint decisions. This is crucial as decision making power lies with the majority; regardless of whether the majority is constituted by a controlling blockholder or a coalition of minority investors. Paper two and three of this thesis deal with these issues and the formation of shareholder coalitions.

Communication among shareholders at the general meeting also brings questions of how to accommodate participation by a large number of investors in a discussion of limited time, and how to secure that the discussion is kept relevant for corporate decision making. Racketeers hijacking the general meeting to promote personal agendas are a recognized phenomenon (*see* Aggarwal, 2001; Apostolides, 2007; Bottomley, 2003; Hodges, Macniven and Mellett, 2004; Nilsson and Hassel, 2004; Saxon, 1966; Shilling, 2001; Strätling, 2003) that reduces not only the effectiveness of general meetings, but also the willingness among responsible corporate investors to favor the general meeting over private negotiations. Japanese experiences with corporate gangsters disrupting general meetings in the 1990s, resulted in a concentration of general meetings being held on the same day (*see* Aggarwal, 2001). Such constructions additionally add to the negative circle as shareholders with the ambition to perform serious monitoring are constrained from participation if holding stakes in more than a single firm. In later years the situation in Japan has improved following a series of efforts to strengthen regulatory oversight, and general meetings are today less concentrated around a specific date and have begun to function as effective decision making bodies (Iwatani and Taki, 2009). A significant part of the explanation to the functional improvement of Japanese general meetings is institutional investors. With growing ownership stakes, institutions have developed greater awareness of their fiduciary duties and consequently guidelines for the exercise of voting rights following an increased interest in proxy voting (Iwatani and Taki, 2009).

2.5 The impact of institutional investors

Institutional investors are of particular interest and importance. Due to significant increases in ownership stakes, calls have been made to encourage - or even obligate, institutional investors to employ active ownership strategies and monitor management. Institutional investors are believed to have both stronger incentives and larger capacity than that average private shareholder to pressure management and affect a change (*see* Shleifer and Vishny, 1986; Gillan and Starks, 2007). It has been argued that an increased of institutional holdings in otherwise dispersed firms should improve voting processes, as the presence of institutional blockholders solves free rider and collective action problems (*see* Heard and Sherman, 1987; Huddart, 1993; Shleifer and Vishny, 1997). It is therefore ironic that the emergence of large institutional investors provides significant explanations to both the initial declining importance of the general meeting, as well as the return of these meetings to the agenda (see Sjostrom, 2006). While institutional preferences of private negotiations offer an explanation to the general decline of general meetings over some decades, the increased expectations on institutional investors as corporate monitors and requirements on pension funds to vote their stakes under the duty of care (*see* Combined Code, 1998; Jarrell and Poulsen, 1987; Mallin, 2001; Solomon and Solomon, 1999), has contributed to general meetings once again attracting interest.

Voting at general meetings provide a low-cost opportunity to implement better governance of a firm, meaning that institutional investors rationally should use their voting right whenever doing so lead to positive effects on stock price development (Davis and Kim, 2005). Still, institutional investors have been observed to abstain from voting against management also in cases when it would likely have benefitted their shares (De Jong et al. 2006). The shift in shareholdings towards institutional ownership thus highlights varying investor choices between engaging in monitoring for shared gains or rely on trading strategies for private gains (see e.g. Shleifer and Vishny, 1986; Kahn and Winton, 1998; Maug, 1998). Some institutions, despite being professional investors holding large stakes, choose not to engage in monitoring (Brickley, Lease and Smith, 1988; Agrawal and Mendelker, 1990; Bushee, 1998; Hartzell and Starks, 2003; Parrino, Sias and Starks, 2003; Almazan, Hartzell and Starks, 2005; Borokhovich, Brunarski, Harman and Parrino, 2006).

The true potential of institutional investors to regulate agency relationships has therefore also been subject to debate. As institutions are not the beneficiary owners of their assets, concerns have been raised that institutional actions might be affected by conflicts of interest leading them to act based on other agendas than financial rationality (see Barber, 2006, Choi et al. 2011; Nordén and Strand, 2008; Woidtke, 2002). This might be particularly influential if the institution also manage corporate benefits for its fund management (Davis and Kim, 2005) or sell financial services to the firm at hand (Brickley et al. 1988; Pound, 1988). Following this stream of reasoning, paper four investigates the underlying objectives of institutional activism at the general meeting (section 4.4).

2.6 The impact of internationalization

The increased importance of institutional investors also brings consequences on an international level. Surveys from IRRC show a significant increase in cross-border voting by institutional investors. The rise of cross-border voters constitutes a fundamental change, particularly for European firms (Baums, 2000), that are also facing de-concentration of shareholdings (Becht, 1997). This highlights the need for discussion on what effects can be expected from these changes. Baums (2000) argues that internationalization counter the function of general meetings, as it theoretically would mean a shift of power towards management (*see also* Maug and Rydqvist, 2001). Foreign investors have more limited opportunities to engage in monitoring activities than domestic investors. Foreigners are often practically restricted from attending the general meeting, and are therefore left to rely on proxy voting for the exercise of ownership rights. If a majority of the owners are foreigners an efficient proxy voting system becomes crucial if power is not to fall completely in the hands of management.

But the purpose of the annual general meeting as a forum for discussions also decreases by the number of shareholders submitting to proxy voting over physical attendance. As domestic institutions often abstain from attending the general meeting (Solomon et al. 2000), we should not expect foreign institutions to increase attendance rates. As discussed in previous sections, attendance is crucial for the general meeting to function as intended by lawmakers. The opportunity to discuss within the shareholder collective is crucial for a dispersed shareholder base to overcome collective action and free rider problems, something that cannot be achieved by voting from a distance. In some European countries, for example Great Britain, a majority of votes is proxy ones casted by non-present institutional investors. This brings the consequence that decisions can be taken in advance of the meeting (Strätling, 2003).

Baums (2000) argues that the discussion misses several perspectives. First, that no ownership structure guarantees active monitoring. Second, that monitoring does not necessarily have to take place at the general meeting, regardless of how well it accommodates the shareholders. Third, that market forces might pressure also foreign institutions to activism, thus compensating for the expected tilt of power towards management. And finally, the regulatory system can be adjusted to fit the new situation. Another solution to secure active institutional investors, also with increased internationalization, is to lower the cost of attending general meetings and submit proxy votes (Maug and Rydqvist, 2001).

Increased internationalization also brings questions of potential behavioral differences between foreign and domestic investors, as this is crucial for discussions of the potential effects of increased cross-border voting. The fifth paper of this thesis directs attention to this matter, and explores how institutional investors with legal belonging in the United States exercise voting rights in firms listed in a European setting (section 4.5).

2.7 Dispense with holding general meetings / virtual general meetings

The importance of general meetings could be estimated by abolishing it. However, as general meetings are a central part of all jurisdictions except two US states, it is in practice impossible to conduct comparative studies. Theoretically the debate has taken two directions. The first concerns a total abolishment of general meetings as a mandatory provision of corporate law. This is discussed primarily by Sjostrom (2006), who argues that the voluntary status of general meetings under Minnesota and North Dakota corporate laws is superior to the mandatory provisions included in corporate law of all other jurisdictions. Under Minnesota corporate law, general meetings were made voluntary already in 1984, and replaced with “regular shareholder meetings”. General meetings are required to be held if a meeting has not been held during the last 13 months and a shareholder with a minimum holding of 3% makes such a requirement (Sjostrom, 2006).

The Minnesota decision to abolish mandatory general meetings was motivated by increased flexibility, reduction of formalities, and the opportunity to save time and money. Sjostrom argues that the Minnesota approach is superior, as it *"preserves the substance of all the justifications for annual director elections and shareholders' meetings […] while having the potential to eliminate the holding of meaningless elections and meetings"* (Sjostrom, 2006:36). The author builds his argumentation on the claim that shareholders are able to stand up against an incumbent board at all times, and thus, that the opportunity to monitor management is preserved: *"shareholders would have an incentive not to demand a meeting unless they anticipate it being meaningful because of the costs of the meetings are ultimately borne by them as the residual claimants on the corporation's income and assets"* (Sjostrom, 2006:33). The reasoning is to some extent supported by Bebchuk, who states that *"there is no reason to assume that the optimal frequency of scheduled elections for directors is once a year"* (Bebchuk, 2005:36).

Strätling (2003) argues that a move towards voluntarily held annual general meetings mean that shareholders would lose the opportunity to come in direct contact with managers and the board of directors, thus the possibilities to question management would go from small to non-existent and shareholders would also lose the opportunity to discuss among themselves. The free-rider problem increases as the holdings grow more dispersed, which force shareholders to coordinate their actions (Strätling, 2003). If the annual general meetings are made voluntarily, no forum for co-ordination remains for shareholders who wish to engage in the company.

This analysis holds true also in the Minnesota case; as asking the firm to hold a shareholder meeting requires an ownership stake of 3%, control rights are in practiced removed from shares belonging to minority investors. This is problematic from two aspects. First, from a legal point of view shareholders are no longer treated equally as control rights become exclusive property of individual blockholders. This brings the consequence that the agency type II problem – the opportunity for controlling investors to expropriate the minority which is usually associated with concentrated ownership, is introduced in dispersed firms. Second, as previous research has shown that investors with significant ownership stakes prefer private negotiations with management it is unlikely that a general meeting would ever be called. This deprives minority investors also of the opportunity to form coalitions and challenge blockholders, which could prove necessary to prevent agency type II problems.

The second stream of the debate surrounding the general meeting's being or non-being, concerns how important a physical meeting is to secure shareholder rights and what negative consequences it would have to dispense companies from holding physical general meetings. This discussion is rooted in arguments that general meetings don't contribute to effective corporate governance as blockholders favor private negotiations with management, leaving the general meeting to house only minority investor activism. It is in some sense a paradox that increased activism (both my minorities at the general meeting, and by blockholders by sidestepping) is used as an argument to abolish general meetings. It has been argued that shareholders lack incentives to make use of the general meeting. Free rider and collective action problems result in a second paradox: while everyone is better off by shareholder contribution, everyone is better off by not contributing (Baums, 1997).

Rapid technological developments have contributed to the discussion on whether to replace physical general meetings with gatherings over the internet. This raises several questions, with regard to information transfer, voting procedures, and opportunities to discuss and question management. Virtual general meetings can be conducted in three different ways; in fully electronic (thus with no physical meeting), partly electronic (physical meeting with opportunity to follow over the internet), or remote proxy voting (Hultmark, 1999). Virtual general meetings are, in addition, afflicted with significant practical and legal obstacles. While submission of proposals and proxy voting can be facilitated with ease through electronic means, it appears more problematic to replicate the confrontation elements of the general meeting over the internet (*see* Catasus and Johed, 2007; Dimitrov and Jain, 2011). The lack of opportunity for confrontation of management was the main argument when a legislative proposal to allow virtual general meetings in the state of Massachusetts was withdrawn.

3. SHAREHOLDER ACTIVISM AT THE GENERAL MEETING

Shareholder proposals and proxy voting are in general considered the primary tools for corporate investors to attempt to affect corporate decision-making. The opportunity to submit proposals that the meeting has to vote upon – and to vote on board proposals, are powerful rights that supports the definition of shareholder activism as an attempt by shareholders to bring about change without necessarily changing the formal control structure of the firm (Gillan and Starks, 1998). As Yermack (2010) concludes; *“shareholders use voting as a channel of communication with board of directors, and protest voting can lead to significant changes in corporate governance and strategy”* (Yermack, 2010:103). The general pattern is that board proposals always pass and shareholder proposals always fail (Maug and Rydqvist, 2001). Mutual funds, particularly stock pickers and index fund managers, tend to vote with management, but with the exception of proposals concerning executive compensation and antitakeover (Rothberg and Lilien, 2005).

Shareholders also has an opportunity to exercise ‘voice’, defined as attempts to affect a change in the state of affairs *“through individual or collective petition to the management directly in charge [...] or through various types of actions and protests, including those that are meant to mobilize public opinion”* (Hirschman, 1970). This includes face-to-face communication with management and other shareholders. Some claim that accountability still remains as a purpose of activism since also small shareholders can question management. In this respect Gray et al (1988) argue that general meetings function as a counterweight to managerial priority of major shareholders since all shareholders are given the right to question management. The opportunity to question management has been observed as a valuable accountability mechanism (see Cordery, 2005). The question and answer period (Q&A) is by some considered the most worrisome part of the general meeting (Aggarwal, 2001) as it cannot be controlled and planned in advance by management, highlighting *”the element of surprise as an important factor determining what goes on at the general meeting in terms of accountability”* (Catasús and Johed, 2007:187).

4. CONTRIBUTIONS OF THE PAPERS

The ways shareholders exercise activism at the general meeting has important implications for policy debates surrounding the function of the meeting as an effective corporate governance mechanism. Included in this thesis are five papers that study shareholder activism at general meetings from various perspectives. The contributions of each paper are described below in relation to the analysis of the role and function of general meetings. As outlined above, existing research has found that ownership structure, institutional investors, and internationalization are factors with particular impact on the function of general meetings. The main focus is therefore directed to investigations of these issues.

4.1 Paper 1 – the average general meeting

Paper I offers – as an extended introduction, descriptive statistics of the content, structure, and shareholder engagement at an average general meeting in Sweden and Denmark comparatively. The paper reveals significant differences in the level of activism, with Swedish investors being the most active in terms of proposals, proxy voting, and 'voice'. The paper takes a legal approach, and discusses divergence in activism levels from the perspective of shareholder prerequisites to engage in monitoring efforts. This is crucial for the discussion of the role and function of general meetings, as shareholder actions rationally should vary with the extent of their opportunities to participate in corporate decision making.

Further, the paper contributes to previous research by dealing with the common perception that 'voice' only rarely concerns relevant issues (Aggarwal, 2001; Shilling, 2001), by investigating the topics addressed through questions and opinions. The results show that financial and business related voice is by far the most common, while matters that can be categorized as "irrelevant[6]" are reasonably rare. This is a major finding, as suggestions to abolish general meetings has often been based on the assumption that general meetings facilitate nothing but irrelevant, time consuming, and costly discussions that serves no monitoring function.

4.2 Paper 2 – the impact of ownership structure

Literature describes two types of agency problems (Shleifer and Vishny, 1997); type I problems between owners and managers in dispersedly held firms and type II problems between controlling and minority investors in firms of concentrated ownership. While dispersed shareholders have low incentives to be active at the general meeting due to free rider and collective action problems, minority investors experience the same lack of incentives in firms with a controlling investor. In both cases, the opportunity to form coalitions might bear the potential to raise the incentives to be active. Shareholders in dispersedly held firms are dependent on joint actions to challenge management, while minority investors in controlled firms

[6] Irrelevancy is here defined as questions and opinions that do not concern the running and performance of the corporation.

have the opportunity to challenge blockholders to avoid extraction of private benefits through the forming of a coalition.

This paper deals with such scenarios, investigating how blockholders react to increased participation by minority shareholders. The paper makes two major contributions to previous literature. First, a methodological contribution by the construction of a new voting power approach which allows calculations of each shareholder's relative voting strength, given the ownership structure of the individual firm. To illustrate, assume a firm with three shareholders, A, B, and C, holding 45 percent, 35 percent, and 20 percent of the voting rights. Instinctively shareholder C seems the least powerful. But since it takes a simple majority of the votes to make a decision, shareholder C is a member of as many winning coalitions as shareholder A and B, respectively. Shareholder A and B can vote together (80 percent), shareholder A can vote with shareholder C (65 percent), shareholder B can vote with shareholder C (55 percent), or they can vote unanimously (100 percent). Even though shareholder C has fewer votes, she has as much influence over outcomes as the other shareholders. This approach is novel in activism research, which otherwise is based on the assumption that shareholders are as powerful as their absolute voting stake. We calculate the relative voting strength of each shareholder, and investigate how the largest shareholder's sensitivity to increased participation by small shareholders affects the level of activism.

Paper 2 also contributes by directing attention to the shareholder-based nomination committee, a local Swedish feature that was established to provide shareholders with increased opportunities to engage in monitoring and corporate decision making. Shareholder-based nomination committees are essentially nothing but formal, and continuously operating, coalitions appointed at the general meeting. Nomination committees are common in developed jurisdictions, however usually constituted by members of the board of directors. Nomination committees were formed in Anglo-Saxon countries with one-tier boards, as a strategy to empower the board for monitoring purposes over powerful CEOs (Carson, 2002). In Sweden, the shareholder-based nomination committee was adopted to empower the shareholders over the board, a principle driven by the Shareholders' Association. The shareholder-based nomination committee functions as a subcommittee of the general meeting, rather than a subcommittee of the board, and thereby shifts power from the directors to the shareholders. The setup is interesting as it reduces free rider and collective action problems, as shareholders are provided with an ongoing forum for discussions within the shareholder collective, and the costs of activism brought forward to the general meeting can be shared. This provides important implications for the policy discussion.

4.3 Paper 3 – the impact of asymmetric information

Another potential explanatory factor for activism is information asymmetries between owners and managers. Corporate investors are subjected to extensive information flows in terms of reports, market announcements, and press releases, as well as evaluations and statements from analysts, banks, rating agencies, stock exchanges, and mass media. Nonetheless, outside shareholder face an information problem since managers tend to have better information about the state of the firm. This is a necessary assumption of agency theory, as there are no agency problems in the absence of asymmetric information. Asymmetric information is not necessarily a negative, as shareholders are required to accept certain levels to achieve the benefits that follow from professionalized management. Still, reducing such asymmetries is an essential goal of monitoring. To the extent that asymmetric information problems mirror the risk of potential mismanagement, one would expect shareholder activism to reflect this.

Despite that a large number of studies have elaborated on the link between activism and various performance measures (see Bizjak and Marquette, 1998; Carleton, Nelson and Weisbach, 1998; Johnson and Shackell, 1997; Karpoff, Malatesta and Walkling, 1996; Martin, Kensinger, and Gillan, 2000; Opler and Sobokin, 1995; Smith, 1996), there are no studies of shareholder activism and a measure of asymmetric information. This paper contributes to previous literature by constructing a proxy for asymmetric information; the difference between expected and actual earnings per share. The release of the annual report constitutes one of the most important times of the year to evaluate investments. As the general meeting follows it also offers investors a strong opportunity to act upon the new information within a short timeframe. The paper investigates how shareholders react at the general meeting in terms of shareholder proposals, following a positive or negative surprise between expected and actual earnings per share.

The paper also builds on the previous paper, by additionally studying the role of controlling shareholders from the business sphere category[7]. This group comprise investment companies, listed firms with ownership in other listed firms, and wealthy families. These investors manage capital on their own behalf, and are essentially equal to a private individual in terms of aim, ambition, and strategy but with much larger stakes, and thus, stronger incentives to take on an active monitoring function. Further, business groups are not subjected to any of the restrictions institutional investors face with the consequence that incentives to take board positions are reduced. Business spheres with active control strategies usually strive to sit on boards, and engage in private negotiations behind the scenes. As this could affect the information released from the company to the shareholder collective, it is relevant to test the effect on activism at the general meeting from having a business sphere as a controlling investor.

4.4 Paper 4 – the impact of institutional investors

As outlined in section II, the rise of institutional investors has had extensive impact on general meetings, both from a positive and negative perspective. Paper 4 investigates the existence of previously overlooked objectives among institutional investors to engage in active ownership by observing portfolio managers' behaviour at general meetings. Agency theory promotes financial rationality as a driver of shareholder activism, advocating underperforming firms as targets for shareholder proposals. Previous findings, however, return mixed results. Some find that stock

[7] Business spheres are defined by Sundqvist and Fristedt, 2004-2009.

market returns are lower in firms that attract shareholder proposals (Opler and Sobokin, 1995; Strickland, Wiles and Zenner, 1996), while others find insignificant differences (Carleton, Nelson and Weisbach, 1998; Smith, 1996). Some studies also find that accounting returns are lower in firms that attract proposals (Martin, Kensinger, and Gillan, 2000), while others again find insignificant differences (Johnson and Shackell, 1997; Smith, 1996; Strickland, Wiles and Zenner, 1996). This indicates a potential existence of alternative objectives to engage in activism among institutional investors.

Agency theory is therefore complemented with institutional theory as an explanatory base for the underlying objectives of activism. Institutional theory postulates that shareholders can take actions for other rational purposes than pure wealth maximization (DiMaggio and Powell, 1983; Meyer and Rowan, 1977). As institutional investors operate in a competitive business environment and are dependent on attracting savings capital their engagement might be influenced by strives for organizational survival, i.e. legitimacy, expansion of the customer base, marketing, achievement of political or social goals etc (Mizruchi and Fein, 1999; Pozen, 1994; Romano, 1993; Woidtke, 2002). Thus an alternative financial rationality based on the investors' market position rather than that of the firms in which they invest. In this sense, activism can be viewed as a private benefit for the institutional investor.

While previous literature has dealt with performance measures in terms of accounting number and stock price development, firm size, and ownership structure, as explanatory factors for shareholder activism, media coverage is here added as a new explanatory factor that might influence shareholder willingness to be active is new. Media coverage is measured as the number of times the name of a firm is mentioned in media prior to the general meeting, and functions as a proxy for the marketing value associated with the exercise of activism in each individual firm. The results show that institutional investors are more likely to be active in large firms, which appear a lot in media, and have a large proportion of institutional ownership, while bad firm performance appears not to be considered. This indicates that the rationality of institutional activism lies in achieving 15 minutes of fame at the general meeting, rather than attempting to improve underperforming firms.

4.5 Paper 5 – the impact of internationalization

Internationalization has been argued to counter general meetings (see Baums, 2000). As domestic and foreign institutions continue to increase their ownership stakes, Europe's ownership structure is challenged by fundamental change. In order to discuss the future role of general meetings in the corporate governance system, it is a necessity to understand the behavior of cross-border activists. Paper five investigates cross-border voting by American institutional investors at general meetings in Sweden. Cross-border activism has gone nearly unnoticed in previous research, despite that the increase of foreign institutional holdings in European companies is well recognized. This paper fills an important gap in empirical research, by exploring potential behavioral replication when voting in a foreign legal setting.

In this paper, the development of institutional investors from passive portfolio managers to active corporate owners is considered an evolutionary process as the institution gradually adjusts to changing market conditions, increased competition, and internationalization. Cross-border voting is considered ”the next step” in the institution’s development, a right that is exercised in line with how far the voting institution has come in its process towards active ownership. The results show that less informed institutions, thus those that tilt more towards being portfolio managers, vote against routine and non-routine board proposals systematically. As the institution evolves towards active ownership and becomes more informed the number of votes against are first reduced, and in later stages of the evolutionary process systematic no-votes disappears. The results suggest that cross-border voting patterns reflect how informed foreign investors are, and that the adoption of domestic and international voting policies and employment of advisory firms for making proxy recommendations contribute to how informed the institution is.

5. POLICY IMPLICATIONS

Annual general meetings are important for a well functioning corporate governance system. Although general meetings have been subjected to valid critic, suggestions to abolish general meetings offer no feasible solution unless it is complemented by implementation of other mechanisms to prevent power from tilting towards management. Instinctively developing and introducing alternative mechanisms appears more complicated than improving the function of general meetings. The European Commission’s efforts to strengthen the general meeting’s status are therefore positive. General meetings are significantly affected by the existing legal and social institutions. As these vary across countries, so does the function of general meetings. Based on the tilt of power between owners and managers, general meetings can be divided in two main categories: those that are essentially management meetings with the shareholders invited as guests, and those that are shareholder meetings with the managers invited as guests.

In Denmark as well as in the United States, general meetings appear to take primarily the form of a management meeting where the shareholders attend as guests. Opportunities for management to collect proxy votes in advance, and limitations for shareholders who wish to address the meeting, contribute to a power tilt in the management’s benefit. The lack of open ownership books can also be considered. This is likely to increase collective action problems as shareholders are not able to form coalitions when the identity and holding stakes of their fellow co-owners are unknown. Swedish shareholder meetings tend to be more of a “shareholders’ show”. Shareholders elect the chairman of the meeting – commonly an independent lawyer, auditors provide information about the auditing process and make a recommendation to shareholders on whether to ratify the accounts and accept the board’s dividend proposal, and shareholder based nomination committees prepare and present proposals on director election and remuneration.

Historically attendance has been recognized as highly important for general meetings to function properly, as the lawmakers considers to power to lie with the shareholders as a collective.

However, with the increasing importance of internationalization physical attendance can no longer be expected, or even aimed for. Regulation that allows for distant participation and voting is a necessity to secure investor control rights. From this follows one of the main dilemmas surrounding general meetings; that while strengthening the opportunities to vote (through lowered costs, electronic tools, voting from a distance etc) an increase of collective action and free rider problems in the shareholder collective is also promoted. This needs to be solved to avoid power tilting towards management.

Shareholder based nomination committees have proven successful to increase active ownership strategies among institutional investors. As long as a company has mainly domestic institutional investors nomination committees could therefore offer a solution. But it's no longer feasible if ownership shifts to international, as international investors have as little opportunities to engage in nomination committees as in general meetings. In this scenario, local governance agencies making proxy recommendations and communicating the Scandinavian model could contribute to avoid problems with ignorant international investors.

Although institutional investors play a great role in today’s corporate governance system, it is crucial to note that general meetings should not be designed or adjusted after a particular owner category as the system then becomes vulnerable to shifts in ownership structures. There is therefore reason to critically evaluate the suggested "obligation" for institutional investors to vote their holdings, as it is not necessarily better governance to increase the number of players participating in corporate decision making unless the players are informed and willing to take long-term responsibility. Also in this perspective, local governance agencies could fill an important role to increase the functionality of general meetings in Scandinavia.

REFERENCES

Admati, A., Pfleiderer, P., Zechner, J., 1994, “Large Shareholder Activism, Risk Sharing and Financial Market Equilibrium”, *Journal of Political Economy* 102, 1097-1130.

Aggarwal, R. 2001, “Value-Added Annual Shareholders Meetings: Reflections on Peoples Capitalism at Wal-Mart”, *Journal of Retailing and Consumer Services*, 8: 347–349.

Agrawal, Anup, and Gershon N. Mendelker, 1990, “Large Shareholders and the Monitoring of Managers: The Case of Anti-Takeover Charter Amendments”, *Journal of Financial and Quantitative Analysis* 25, 143-161.

Alchian, A. & Demsetz, H. 1972, “Production, Information Costs and Economic Organization”, *American Economic Review*, 62: 777-795.

Almazan, Andres, Jay C. Hartzell, and Laura T. Starks, 2005, “Active Institutional Shareholders and Cost of Monitoring: Evidence from Executive Compensation”, *Financial Management* 34, 5-34.

Amzaleg, Y., Ben-Zion, U., Rosenfeld, A., 2005, “On the Duty of Care of Institutional Investors: Evidence on Participation of Mutual Fund Managers in Shareholders’ Meetings in Israel”, working paper, Ben-Gurion University, Israel.

Apostolides, N. 2007, “Directors Versus Shareholders: Evaluating Corporate Governance in the UK using the AGM Scorecard”, *Corporate Governance: An International Review*, 15: 1277–1287.

Apostolides, N., and Boden, R., 2005, “Cedric the Pig: Annual General Meetings and Corporate Governance in the UK”, *Social Responsibility Journal*, 1(1), 53-62.

Armstrong, J., and Jones, S.K., 1987, *“Business Documents: Their Origins, Sources, and Uses in Historical Research”*, New York: Mansell Pub.

Arrow, Kenneth J. (1969), *“The Organization of Economic Activity”*, in Arrow, Kenneth J. (Ed.), The Economics of Information, Oxford, Basil Blackwell.

Bainbridge, S., 2002, “Why a Board? Group Decision Making in Corporate Governance” 55 *Vanderbilt Law Review*, 1,5.

Barber, B. M., 2006, “Monitoring the Monitor: Evaluating CalPERS' Activism”, Available at SSRN: http://ssrn.com/abstract=890321 or http://dx.doi.org/10.2139/ssrn.890321

Barca, F. & Becht, M. 2002, *“The Control of Corporate Europe”*, New York: Oxford University Press.

Baums, T., 2000, "General Meetings in Listed Companies – New Challenges and Opportunities", Company Law Reform in OECD Countries: A Comparative Outlook of Current Trends, Stockholm, Sweden.

Bavly, D.A., 1999, "Corporate Governance and Accountability: What Role for the Regulator, Director, and Auditor?", Westport, Connecticut: Quorum Books.

Bebchuk, "The Myth of the Shareholder Franchise" (October 2005) at 10. Available at SSRN: http://ssrn.com/abstract=829804

Becht, M., 1997, "Strong Blockholders, Weak Owners and the Need for European Mandatory Disclosure", at p. 14 (www.ulb.ac.be/ecgn/docs/pdf/eu.pdf)

Berle, A., Means, G., 1932, *"The Modern Corporation and Private Property"*, New York: MacMillan.

Bizjak, J., Marquette, C., 1998, "Shareholder Proposals to Rescind Poison Pills: All Bark and No Bite", *Journal of Financial and Quantitative Analysis* 33, 499-523.

Borokhovich, Kenneth A., Kelly R. Brunarski, Yvette S. Harman, and Robert Parrino, 2006, "Variation in the Monitoring Incentives of Outside Stockholders", *Journal of Law and Economics* 49, in press.

Bottomley, S., 2003, "The Role of Shareholders' Meetings in Improving Corporate Governance", working paper, The Australian National University.

Brickley, James A., Ronald C. Lease, and Clifford W. Smith, Jr., 1988, "Ownership Structure and Voting on Antitakeover Amendments", *Journal of Financial Economics* 20, 267-291.

Bushee, Brian J., 1998, "The Influence of Institutional Investors on Myopic R&D Investment Behavior", *Accounting Review* 73, 305-333.

Carleton, W., Nelson, J., Weisbach, M., 1998, "The Influence of Institutions on Corporate Governance through Private Negotiations: Evidence from TIAA CREF", *Journal of Finance* 53, 1335-1362.

Carrington, T., Johed, G., 2007, "The Construction of Top Management as a Good Steward – A Study of Swedish Annual General Meetings", *Accounting, Auditing & Accountability Journal*, Vol.20, No.5, pp.702-728.

Carson, E., 2002, "Factors Associated with the Development of Board Sub-Committees", *Corporate Governance: An International Review*, Vol.10, Issue 1, 4-18.

Catasús, B. & Johed, G. 2007, "Annual General Meetings – Rituals of Closure or Ideal Speech Situations? A Dual Analysis", *Scandinavian Journal of Management*, 23: 168–190.

Choi, S., Fisch, J., Kahan, M., 2011, ”Voting Through Agents: How Mutual Funds Vote on Director Elections”, NYU Law and Economics Research Paper No. 11-29.

Coase, R., 1937, “The Nature of the Firm”, *Economica*, Vol.4, No.16, pp.386-405.

Combined Code on Corporate Governance, 1998, United Kingdom.

Cordery, C.J., 2005, ”The Annual General Meeting As An Accountability Mechanism”, Working Paper no.23, University of Wellington, New Zealand.

Davey, L., 1895, Report of the Departmental Committee Appointed by the Board of Trade to Inquire what Amendments are Necessary on the Acts Relating to Joint Stock Companies Incorporated with Limited Liability under the Companies Acts 1862 to 1890.

Davis, G., Kim, H., 2005, “Would Mutual Funds Bite the Hand that Feeds Them? Business Ties and Proxy Voting”, Available at SSRN: http://ssrn.com/abstract=667625 or http://dx.doi.org/10.2139/ssrn.667625

de Jong, A., Mertens, G., Rosenboom, P., 2006, “Shareholders Voting at General Meetings: Evidence from the Netherlands”, *Journal of Management and Governance* 10, 353-380.

Del Guercio, D., Hawkins, J., 1999, “The Motivation and Impact of Pension Fund Activism”, *Journal of Financial Economics* 52, 293-340.

DiMaggio, P., Powell, W., 1983, “The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields”, *American Sociological Review* 48, 147-160.

Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies (OJ L 184, 14.7.2007, p.17–24).

Dimitrov, V., Jain, P.C., 2011, “It’s Showtime: Do Managers Report Better News Before Annual Shareholder Meetings?”, *Journal of Accounting Research*, Forthcoming. Available at SSRN: http://ssrn.com/abstract=1839529

DTI (Department of Trade and Industry, UK), 1999. ”Company General Meetings and Shareholder Communication – A Consultation Document from the Company Law Steering Group”, URN 99 / 1144.

Gevurtz, F.A., 2002, “The Historical and Political Origins of the Corporate Board of Directors”, *Hofstra Law Review* 33, 89, p.110.

Gillan, S., Starks, L., 1998, “A Survey of Shareholder Activism: Motivation and Empirical Evidence”, *Contemporary Finance Digest* 2, 10-34.

Gillan, S. L. & Starks, L. T. 2007, ”The Evolution of Shareholder Activism in the United States”. *Journal of Applied Corporate Finance*, 19: 55–73.

Gray, R., Owen, D., & Maunders, K. 1988, "Corporate Social Reporting: Emerging Trends in Accountability and the Social Contract", *Accounting, Auditing & Accountability Journal*, 1:6–20.

Grossman, S. & Hart, O. 1980, "Takeover Bids, the Free-Rider Problem, and the Theory of the Corporation", *Bell Journal of Economics*, 11: 42–64.

Hartzell, Jay C., and Laura T. Starks, 2003, "Institutional Investors and Executive Compensation", *Journal of Finance* 58, 2351-2374.

Heard, J.E. and Sherman, H.D., 1987, "Conflicts of Interest in the Proxy Voting System", Washington, DC; Investor Responsibility Research Center.

Hirschman, A. 1971, *"Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States"*, Cambridge, MA: Harvard University Press.

Hodges, R., Macniven, L., & Mellett, H. 2004, "Annual General Meetings of NHS Trusts: Devolving Power or Ritualizing Accountability?", *Financial Accountability & Management*, 20: 377–399.

Hoschett vs. TSI International Software, Ltd., 683 A.2d 43 (Del.Ch. 1996)

Huddart, S., 1993, "The Effect of a Large Shareholder on Corporate Value", Management *Science*, 39(11), 1407–1421.

Iwantani, M. and Taki, T., 2009, "Evolution of General Shareholders' Meetings in Japan", *Nomura Journal of Capital Markets*, Vol.1, No.1, 1-17.

Jarrell, G. and Poulsen, A., 1987, "Shark Repellants and Stock Prices: The Effects of Antitakeover Amendments since 1980", *Journal of Financial Economics*, 19, 127-168.

Jensen, M., Meckling, W., 1976, "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure", *Journal of Financial Economics* 3, 305-360.

Johnson, M., Shackell, M., 1997, "Shareholder Proposals on Executive Compensation", Working Paper, University of Michigan.

Kahn, C., Winton, A., 1998, "Ownership Structure, Speculation and Shareholder Intervention", *Journal of Finance* 53, 99-129.

Karpoff, J., Malatesta, P., Walkling, R., 1996, "Corporate Governance and Shareholder Initiatives: Empirical Evidence", *Journal of Financial Economics* 42, 365-395.

Kelly Kurt, "Move of Halliburton Meeting Draws Fire", Assoc. Pres (May 15, 2006)

La Porta, R., Lopez-de-Silanes, F., Shleifer, A., Vishny, R., 2000, "Investor Protection and Corporate Governance", *Journal of Financial Economics*, Vol.58, pp.3-27.

Leech, D. 1987, “Ownership Concentration and the Theory of the Firm: A Simple Game-Theoretic Approach”, *Journal of Industrial Economics*, 35: 225–240.

Mallin, C., 2001, ”Institutional Investors and Voting Practices: an International Comparison”, *Corporate Governance: An International Review*, Vol.9, No.2, pp.118-126.

Martin, J., Kensinger, J., Gillan, S., 2000, “Value Creation and Corporate Diversification: The Case of Sears, Roebuck & Co.”, *Journal of Financial Economics* 55, 103-137.

Mallin, C., 2001. ”Institutional Investors and Voting Practices: an International Comparison”, *Corporate Governance: An International Review*, Vol.9, No.2, pp.118-126.

Maug, E. and Rydqvist, K., 2001, “What is the Function of the Shareholder Meeting? Evidence from the U.S Proxy Voting Process”, working paper, Humboldt Universität zu Berlin, Germany.

Meyer, J., Rowan, B., 1977, “Institutionalized Organizations: Formal Structure as Myths and Ceremony”, *American Journal of Sociology* 83, 340-363.

Mizruchi, M., Fein, L., 1999, “The Social Construction of Organizational Knowledge: A Study of the Uses of Coercive, Mimetic, and Normative Isomorphism”, *Administrative Science Quarterly* 44, 653-683.

Nilsson, S. & Hassel, L. G. 2004, “Corporate Governance: Attendance at the Annual General Meetings in Large Swedish Companies”, *Vestnik*, 4: 128–133.

Nordén, L. & Strand, T. 2009, “Shareholder Activism among Portfolio Managers: Rational Decisions or 15 Minutes of Fame?”, *Journal of Management and Governance*, Published online: October 13, 2009.

Nordlund, D.C., 2005, “Planning and Conducting the Annual Shareholders’ Meeting”, in Preparation of annual disclosure documents 971-991.

O’Donnell, C., 1952, “Origins of the Corporate Executive”, 26 *Bull of the Bus. Hist. Soc’y*, 55-57.

Opler, T., Sobokin, J., 1995, “Does Coordinated Institutional Activism Work? An Analysis of the Activities of the Council of Institutional Investors”, Ohio State University and Southern Methodist University Working Paper.

Parrino, Robert, Richard W. Sias, and Laura T. Starks, 2003, “Voting with Their Feet: Institutional Ownership Changes Around Forced CEO Turnover”, *Journal of Financial Economics* 68, 3-46.

Poulsen, T., Strand, T., Thomsen, S., 2010, "Voting Power and Shareholder Activism: A Study of Swedish Shareholder Meetings", *Corporate Governance: An International Review*, 18 (4), 329-343.

Pound, J., 1988, "Proxy Contests and the Efficiency of Shareholder Oversight", *Journal of Financial Economics*, 20, 237-265.

Pozen, R., 1994, "Institutional Investors: The Reluctant Activists", *Harvard Business Review* 72,140-149.

Pye, A., 2001. "Corporate Boards, Investors and Their Relationships: Accounts of Accountability and Corporate Governing in Action", *Corporate Governance*, Vol.9, No.3, pp.186-195

Roberts, J., Sanderson, P., Barker, R., & Hendry, J. 2006, "In the Mirror of the Market: The Disciplinary Effects of Company/fund Manager Meetings", *Accounting, Organizations and Society*, 31: 277–294.

Romano, R., 1993, "Public Pension Fund Activism in Corporate Governance Reconsidered", Columbia Law Review 93, 795-853.

Rothberg, B.G., Lilien, S.B., 2005, "Mutual Fund Proxy Votes", Available at SSRN: http://ssrn.com/abstract=669161 or http://dx.doi.org/10.2139/ssrn.669161

Saxon, G. O. 1966, "Annual Headache: The Stockholders Meeting", *Harvard Business Review*, 44: 132–137.

Schilling, F. 2001, "Corporate Governance in Germany: The Move to Shareholder Value", *Corporate Governance: An International Review*, 9: 148–151.

Shleifer, A. & Vishny, R. 1986, "Large Shareholders and Corporate Control", *Journal of Political Economy*, 94: 461–488.

Shleifer, A., Vishny, R., 1997, "A Survey of Corporate Governance", *The Journal of Finance*, Vol.52, No.2, pp.737-783.

Short, H. & Keasey, K. 1999, "Managerial Ownership and the Performance of Firms: Evidence from the UK", *Journal of Corporate Finance*, 5: 79–101.

Simon, H.A., 1951, "A Formal Theory of the Employment Contract", *Econometrica*, 19:293-305.

Sjostrom, W.K., 2006, "The Case Against Mandatory Annual Director Elections and Shareholder Meetings", working paper, Northern Kentucky University.

Smith, M., 1996, “Shareholder Activism by Institutional Investors: Evidence from CalPERS”, *Journal of Finance* 51, 227-252.

Solomon, A., Solomon, J.F., 1999, ”Empirical Evidence of Long-Term and Shareholder Activism in UK Unit Trusts”, *Corporate Governance*, Vol.7, No.3, pp.288-300.

Solomon, J., Solomon, A., Joseph, N., Norton, S., 2000, ”Institutional Investors’ Views on Corporate Governance Reform: Policy Recommendations for the 21th Century”, *Corporate Governance*, Vol.8, No.3, pp.215-226.

Strickland, D., Wiles, K., Zenner, M., 1996, “A Requiem for the USA: Is Small Shareholder Monitoring Effective?”, *Journal of Financial Economics* 40, 319-338.

Strätling, R. 2003, “General Meetings: A Dispensable Tool for Corporate Governance of Listed Companies?”, *Corporate Governance: An International Review*, 11: 74–82.

Sundqvist, S.I., Fristedt, D., 2004, *“Ägarna och Makten i Sveriges Börsföretag”*, Stockholm: SIS Ägarservice.

Sundqvist, S.I., Fristedt, D., 2005, *”Ägarna och Makten i Sveriges Börsföretag”*, Stockholm: SIS Ägarservice.

Sundqvist, S.I., Fristedt, D., 2006, *”Ägarna och Makten i Sveriges Börsföretag”*, Stockholm: SIS Ägarservice.

Sundqvist, S.I., Fristedt, D., 2007, *”Ägarna och Makten i Sveriges Börsföretag”*, Stockholm: SIS Ägarservice.

Sundqvist, S.I., Fristedt, D., 2008, *”Ägarna och Makten i Sveriges Börsföretag”*, Stockholm: SIS Ägarservice.

Sundqvist, S.I., Fristedt, D., 2009, *”Ägarna och Makten i Sveriges Börsföretag”*, Stockholm: SIS Ägarservice.

Tate, W.E., 1960, *“The Parish Chest: A Study of the Records of Parochial Administration”*, Cambridge: The University Press.

Terhune, C., 2006, “Home Depot’s Critics Tear Into Firm’s Practices, Conduct”, Wall Street Journal, May 27th, at B3.

Tirole, J. 2006, *“The Theory of Corporate Finance”*, Princeton, NJ: Princeton University Press.

Yermack, D. 2010, “Shareholder Voting and Corporate Governance”, *Annual Review of Financial Economics*, 2: 103-125.

Wahal, S., 1996, "Pension Fund Activism and Firm Performance", *Journal of Financial and Qualitative Analysis* 31.

Webb, S., and Webb, B.P., 1924, *"English Local Government from the Revolution to the Municipal Corporations Act: the Parish and the County"*, London: Longmans Green.

Webb, S., and Webb, B.P., 1924, *"English Local Government from the Revolution to the Municipal Corporations Act: the Manor and the Borough"*, London: Longmans Green.

Williamson, O.E., 1964, *"The Economics of Discretionary Behavior"*, Eaglewood Cliffs, NJ, Prentice Hall.

Woidtke, T., 2002, "Agents Watching Agents?: Evidence from Pension Fund Ownership and Firm Value", *Journal of Financial Economics* 63, 99-131.

Bolagsstämmor i Praktiken -

Preliminära Slutsatser från Sverige och Danmark†

Therese Strand*

ABSTRAKT

Bolagsstämman är enligt lag det högsta beslutande organet i aktiebolag och syftar till att förse aktieägare med förutsättningar att övervaka företagsledningen och försäkra sig om att deras investerade kapital används på ett optimalt sätt. Bolagsstämmor kritiseras ibland för att vara forum av större betydelse för cateringarrangörer än för företagens styrning. Sådan kritik uppstår ur föreställningen att bolagsstämman är en dåligt besökt och i förväg regisserad tillställning där relevanta spörsmål sällan diskuteras och beslutas. Skandinaviska aktieägare har - genom några unika lagrum, en maktposition som är sällsynt i övriga världen. Den här studien undersöker empiriskt hur aktieägare utnyttjar möjligheten till inflytelse givet sina legala rättigheter. Studien baserar sig på deltagande observationer på bolagsstämmor i Sverige och Danmark. Resultaten visar på betydande skillnader mellan dessa annars relativt snarlika nationerna, både vad gäller aktieägarnas legala förutsättningar och aktivismen på bolagsstämmorna. Den här artikeln summerar ett första set av resultat, och analyserar tentativt hur skillnaderna i aktivism kan hänföras till olikheter i aktieägarnas juridiska förutsättningar.

Nyckelord: Bolagsstämma, aktieägare, aktivism, rösträtt, bolagsstyrning, bolagsrätt

† Den här artikeln är ursprungligen publicerad i Nordisk Tidsskrift for Selskabsret, Vol.11, No.4, 2008.

* Tack till Center for Corporate Governance, København, samt Studieförbundet Näringsliv och Samhälle, Stockholm, för forskningsfinansiering. Tack till Sveriges Aktiesparares Riksförbund för assistans med bolagsstämmobevakning under 2007.

General Meetings in Practice -

Preliminary Conclusions from Sweden and Denmark†

Therese Strand*

ABSTRACT

The general meeting is by law the highest governing body of the firm and aims to provide shareholders with opportunities to monitor management and ensure that invested capital is used in an optimal way. General meetings are often criticized for being a forum of major importance to catering firms, rather than the corporate governance system. The criticism arises from the notion that the general meeting is a pre-determined affair with low attendance, and where relevant issues are only rarely discussed. In Scandinavia shareholders hold a power position that is rarely seen in the rest of the world, as some unique legal provisions provide investors with significant opportunities to challenge management at the general meeting. This paper empirically investigates how shareholders in this context make use of the general meeting, based on participant observation at general meetings in Sweden and Denmark. The results reveal significant differences between these otherwise similar nations, both in legal prerequisites for shareholders to take action and how investors make use of the general meeting for power balancing purposes. This article summarizes the study's first set of results and analyzes tentatively how the divergence in activism can be attributed to the legal prerequisites.

The article is published in Swedish. A translated version can be obtained from the author.

Keywords: General meeting, shareholders, activism, voting rights, corporate governance, corporate law

† This article is originally published in Nordisk Tidsskrift for Selskabsret, Vol.11, No.4, 2008.

* The author is grateful to the Centre for Corporate Governance, Copenhagen, and the Centre for Business and Policy Studies, Stockholm, for finance. The author is also grateful to the Shareholders' Association in Sweden for assistance in relation to the data collection process.

1. INTRODUKTION

Bolagsstämman[1] är enligt lag det högsta beslutande organet i aktiebolag och syftar till att förse aktieägare med förutsättningar att övervaka företagsledningen och försäkra sig om att deras investerade kapital används på ett optimalt sätt[2]. Bolagsstämmor kritiseras ibland för att vara forum av större betydelse för cateringarrangörer än för företagens styrning. Sådan kritik uppstår ur föreställningen att bolagsstämman är en dåligt besökt och i förväg regisserad tillställning där relevanta spörsmål sällan diskuteras och beslutas[3]. Den fundamentala frågan är då om bolagsstämman fyller sin funktion för bolagets ägare. Ur ett empiriskt perspektiv förekommer studier av bolagsstämmor mycket sparsamt. Befintlig forskning fokuserar oftast på ett enskilt moment, t.ex. utfall av omröstningar, och är i hög grad baserad på amerikanskt dataunderlag. I nuläget har skandinaviska aktieägare genom några unika lagrum en maktposition som är sällsynt i övriga världen. Det är därför av stor vikt att undersöka bolagsstämmans funktion inom ramen för skandinavisk lagstiftning.

Sedan 2004 pågår ett empiriskt forskningsprojekt kring bolagsstämmans faktiska funktion med utgångspunkten att bolagsstämman i första hand är ett forum för ägarna att agera i syfte att balansera ledningens makt. Projektet fokuserar på aktieägarnas användning av bolagsstämman utifrån de rättigheter som formulerats av lagstiftaren och de funktioner som teoretiskt beskrivs i tidigare forskning. Studien genomförs genom deltagande observation på bolagsstämmor i Sverige och Danmark. De preliminära resultaten visar på stora skillnader mellan länderna både i den lagstiftning som avser aktieägarnas rättigheter och beträffande bolagsstämmans praktiska funktion. Denna artikel sammanfattar studiens preliminära resultat och analyserar tentativt hur skillnader i bolagsstämmans praktiska utnyttjande i Sverige och Danmark kan härledas till aktieägarnas skilda juridiska förutsättningar.

2. BOLAGSSTÄMMANS SYFTE OCH FUNKTIONER

Bolagsstämmans syfte är universellt. Jag avser därför här kort behandla bolagsstämman utan att särskilt fokusera på Danmark och Sverige. Som tidigare nämnts syftar bolagsstämman till att ge aktieägare möjlighet att övervaka företagsledningen för att säkerställa att investerat kapital används optimalt. Bolagsstämman som beslutsfattande organ är också det som huvudsakligen

---

[1] På danska generalforsamling. I Sverige kallas sedan 2006 den ordinarie bolagsstämman där bl.a. årsredovisningen behandlas för årsstämma. Med bolagsstämma avses såväl årsstämman som andra ordinarie och extra bolagsstämmor liksom den danska motsvarigheten generalforsamling.

[2] Såväl den svenska aktiebolagslagen som den danska aktieselskabsloven föreskriver i första paragrafen i kapitlet om bolagsstämma att ”aktieägarnas rätt att besluta i bolagets angelägenheter utövas vid bolagsstämma” (ABL 7 kap., 1§ samt ASL 10 kap., 65§).

[3] Jf. Debatoplæg om aktiv ejerskab, 1999, p.213; Gomard, B., kap.3 om Danmark i ”Shareholder Voting Rights and Practices in Europe and in the United States”, av T. Baums and E. Wymeersch, 1999, Kluwer Law International London, samt “Company General Meetings and Shareholder Communication” DTI (1999, URN99/1144) och Hodges, Macniven & Mellett, “Annual General Meetings of NHS Trusts: Devolving Power or Ritualizing Accountability?” från Financial Accountability & Management 20(4), 2004.

framhålls i fråga om dess syfte[4]. Bolagsstämman kan även definieras utifrån sina funktioner[5]. Den första funktionen är i likhet med det övergripande syftet att söka aktieägarnas godkännande för beslut utanför ledningens handlingsutrymme. Den andra funktionen är att förse aktieägarna med information. Informationsfunktionen är nödvändig för att aktieägarna ska kunna hålla ledningen ansvarig för bolagets utveckling och vidta eventuella förvaltningsåtgärder. Information är också nödvändigt för aktieägarnas förmåga att fatta rationella och väl underbyggda beslut i frågor som ligger utanför ledningens befogenheter.

Bolagsstämmans tredje funktion är att erbjuda aktieägare ett forum för diskussion. På grund av aktieägarnas kollektiva handlingsproblem är diskussionsfunktionen högst väsentlig. Kollektiva handlingsproblem innebär att aktieägare har svårt att samordna sina handlingar till en gemensam strategi som på ett kraftfullt sätt kan balansera ledningens maktövertag. Även om aktieägare har samma intresse att maximera avkastning på sina investeringar så uppstår svårigheter i att koordinera de aktiva handlingarna så att det gemensamma syftet kan uppfyllas. Frågan är hur aktieägarnas intressen ska kunna samordnas. Här kan bolagsstämmans tredje funktion delvis medverka till en lösning.

3. RELEVANTA BESTÄMMELSER OM BOLAGSSTÄMMAN

Det är endast på bolagsstämman som aktieägare enligt lagstiftningen har rätt att utöva direkt inflytande på bolaget. Det aktiva ägarskapet är väsentligt för att uppnå goda resultat men förutsätter att aktieägarna inte bara har legala rättigheter utan också reella möjligheter att påverka bolagets styrning[6]. Det är alltså väsentligt att inte bara diskutera aktieägarnas juridiska rättigheter i samband med bolagsstämman utan även deras faktiska möjligheter att utnyttja rättigheterna. Bland aktieägarnas rättigheter är rösträtten, som framhålls i bland annat EU:s direktiv 2007/36, ett väsentligt verktyg för utövandet av ägarmakt. Den reella möjligheten att styra bolaget via rösträtten påverkas dock av flera faktorer, bland annat möjligheterna till poströstning och röstning via fullmaktsombud.

Rösträtten är inte det enda verktyget för aktieägare att påverka styrningen av ett bolag på bolagsstämman. Det är även väsentligt att aktieägarna har möjlighet att påverka agendans innehåll och formulera alternativ till styrelsens förslag. Dessutom är det viktigt att kallelsefristen till bolagsstämma är tillräckligt lång för att aktieägarna ska hinna sätta sig in i de ärenden som ska behandlas[7]. Den nypublicerade svenska regeringsutredningen om revisionsplikt för små företag[8] har därtill aktualiserat den svenska särlösningen med ansvarsfrihet som inte har samma

[4] Jf. E. Werlauff, "Generalforsamling og Beslutning", 1983, p.81 och S. Johansson, ”Bolagsstämma", 1990, p.61ff.
[5] Jf. R. Strätling, "General Meetings: a Dispensable Tool for Corporate Governance of Listed Companies?", 2003, Corporate Governance – An International Review, Vol.11, No.1, pp.74-82
[6] Jf. Debatoplæg om aktiv ejerskab (1999), p.211. Kan laddas ner från Personalestyrelsen (Finansministeriet): http://www.perst.dk/visSideforloebBeholder.asp?artikelID=10853 (081025)
[7] Jf. Debatoplæg om aktiv ejerskab (1999), p.211ff.
[8] SOU 2008:32: ”Avskaffande av revisionsplikten för små företag". Utredningen omfattar inte de stora börsnoterade bolagen i dagsläget.

betydelse i Danmark[9]. En rundfrågning bland svenska storägare visar att svenska aktieägare anser att ansvarsfrihet är det viktigaste formella beslutet för bolagsstämman[10]. Samtidigt säger 76 % av de svenska styrelseledamöterna i börsnoterade bolag att de vill ha kvar ansvarsfriheten som svensk särlösning även i framtiden[11]. Med hänvisning till den vikt som fästs vid ansvarsfrihet i Sverige är det väsentligt att fråga vilken roll denna spelar för bolagsstämman.

Lagstiftningen om bolagsstämmor i Sverige och Danmark är i grunden likvärdig. Aktieägare har obegränsad rätt att delta i, tala vid och medföra ombud till stämman (ABL §2 och §5; ASL §65 stk.2 och §66 stk.2). Revisor skall vara närvarande[12] (ABL 9:40, ASL §76a), ändringar i bolagsordning kräver två tredjedelars majoritet av såväl avgivna röster som företrädda aktier[13] (ABL §42, ASL §78) och aktieägare kan tillse att extra bolagsstämma sammankallas om de innehar minst 10 % av aktierna i bolaget (ABL §13 ASL§70). Därtill kommer den sett ur internationellt perspektiv unika regeln att aktieägare har obegränsad rätt att till bolagsstämman framlägga förslag för behandling och beslut (ABL §16 och ASL §71). Aktieägarnas möjligheter att påverka agendan och lägga motförslag till styrelsens är alltså likvärdig oavsett hur många aktier som innehas. I övriga världen begränsas denna rättighet av storlekskrav på aktieinnehavet[14].

Trots att Sverige och Danmark i grunden alltså har liknande regelverk för bolagsstämmor finns några direkta juridiska skillnader i fråga om bolagsstämmor liksom skillnader i aktieägares reella möjligheter att påverka bolaget. Sammanfattningsvis kan sägas att aktieägare i svenska bolag på några punkter ges större makt av lagstiftaren än aktieägare i danska bolag. I Sverige gäller att bolagsstämman har att välja justeringsmän till protokollet (ABL §48), och att besluta om huruvida icke aktieägare skall tillåtas att närvara under bolagsstämman (ABL §6). Motsvarande beslut om justeringsmän saknas enligt dansk lagstiftning medan frågan om närvarande gäster under bolagsstämman enligt lag fattas av styrelsen om annat inte finns angivet i bolagsordningen (ASL §65 stk.4). Men de stora juridiska skillnaderna rör rösträttsreglerna, ansvarsfrihetsbeslutet, samt tidpunkten för kallelse till bolagsstämma.

---

[9] Svenska ABL föreskriver att årsstämman har att som obligatoriskt ärende behandla frågan om ansvarsfrihet (§11) medan danska ASL föreskriver att frågan om ansvarsfrihet ska tas upp om bestämmelse om detta finns angivet i bolagsordningen.

[10] Jf. Ekenstam, A-K., ”Aktieägarna tycker till om bolagsstämman och ansvarsfriheten”, FAR SRS, mars 2008.

[11] Jf. Ekenstam, A-K., ”Styrelseledamöter tycker till om ansvarsfrihet”, FAR SRS, april 2008.

[12] I Sverige anges i lagtexten att revisor skall vara närvarande på bolagsstämma om detta kan anses nödvändigt enligt ABL. Enligt Svensk Kod för Bolagsstyrning (2008) punkt 1.3 skall dock revisor alltid vara närvarande vilket också är fallet i praktiken.

[13] I tillfälle av speciellt omfattande förändringar krävs större majoriteter (ABL §43-45, ASL §79).

[14] Sverige, Danmark, Norge och Finland är de enda länderna i Europa som saknar begränsningar i aktieägares rätt att till bolagsstämman framlägga förslag för beslut. I övriga Europa varierar kravet på minimiinnehav vanligen mellan 5 % och 10 % . Dock finns det flera länder som har unika bestämmelser. Belgien utmärker sig med kravet på ett 20%-igt innehav för att få lägga fram ett förslag till bolagsstämman (se OECD Comparative Company Law Overview 2002). I USA gäller att aktieägare kan lägga fram förslag om deras innehav det senaste året före stämman uppgått till ett marknadsvärde om minst 2000USD eller 1 % av bolagets utestående aktier (§ 14a-8 under Securities Exchange Act).

3.1 Rösträtt och fullmakter

Som konstateras i EU:s direktiv 2007/36 såväl som av Werlauff[15], utgör rösträtten ett väsentligt verktyg för aktieägare att utöva ägarmakt. Aktieägares reella möjlighet att utnyttja rösträtten påverkas dock av reglerna för fullmakts- och poströstning. Beträffande fullmaktsombud tillåts sådana i såväl Sverige som Danmark, men med vissa skillnader. I Sverige finns två parallella regler för ombud; dels vanliga ombud, dels fullmaktsinsamling på bolagets bekostnad. För vanliga ombud gäller att dessa måste vara närvarande på stämman men i övrigt finns inga särskilda begränsningar. Fullmakt som lämnas till vanligt ombud kan lämnas in blanco, dock får fullmakten gälla högst ett år, och kan lämnas till styrelsen eller verkställande direktören. På grund av regeln om jäv (ABL §46) i kombination med att alla årsstämmor har att fatta beslut om ansvarsfrihet (ABL §11 stycke 3) så är det dock opraktiskt och mycket ovanligt att styrelsen eller verkställande direktören agerar fullmaktsombud. När det gäller insamling av fullmakter på bolagets bekostnad (en slags poströstning) så får styrelseledamot/VD inte vara mottagare av fullmakter (7:4 stk.2, sista meningen) och dessa får heller inte vara in blanco. Även här ska det av bolaget utsedda ombudet vara närvarande på stämman (ABL 7:3). Poströstning kräver bestämmelser i bolagsordningen och har än så länge bara skett i ett svenskt bolag.

I Danmark kan såväl styrelsens ledamöter som verkställande direktören anlitas som fullmaktsombud även i det fall fullmakter samlas in på bolagets bekostnad. Sådana fullmakter tillåts också öppna, dvs. aktieägare kan överlåta rösträtt till styrelsen utan instruktion om hur rösträtten får användas. Den danska lagstiftningen för fullmaktsinsamling kan medföra att styrelsen har majoritet av rösterna på stämman och således absolut makt över aktieägarna. Som poängterats av bland annat Gomard så finns oklarheter i tolkningen av hur öppna fullmakter får användas[16]. Det har också konstaterats att det medför klara fördelar ur ett corporate governance perspektiv om fullmakter lämnas till andra ombud än styrelseledamöter då fullmaktsinsamling kan betecknas som missbruk i det fall denna leder till att aktieägarna förhindras att utöva kontroll på det sätt som är syftet[17]. Betänkligheterna vid fullmaktsinsamlingar på bolagets bekostnad är störst då det handlar om öppna fullmakter som saknar instruktion om fullmaktens användande[18], något som också avspeglas i revideringen av aktieselskabsloven 2003 då ett förslag om förbud mot att avge öppna fullmakter till bolagets representanter presenterades. Detta förslag ändrades dock innan lagen beslutades[19].

---

[15] Jf. E. Werlauff, "Generalforsamling og Beslutning", 1983, p.333.

[16] Jf. Gomard, B., kap.3 om Danmark, p.72 i ”Shareholder Voting Rights and Practices in Europe and in the United States”, av T. Baums and E. Wymeersch, 1999, Kluwer Law International London

[17] Jf. P. Krüger Andersen, ”Aktie- og Anpartsselskabsret”, 2008, p.356. Även Anbefalinger før god selskabsledelse i Danmark, 2005, föreskriver att fullmakter som lämnas till styrelsen så långt det är möjligt bör innehålla uppgift om hur aktionären avser att fullmakten ska röstas (punkt 1.3).

[18] Jf. P. Krüger Andersen, ”Aktie- og Anpartsselskabsret”, 2008, p.356.

[19] Istället reducerades förslaget till en bestämmelse om att fullmakter endast får lämnas till styrelsen för en given bolagsstämma med en på förhand känd dagordning. Jf. P. Krüger Andersen, ”Aktie- og Anpartsselskabsret”, 2008, p.357.

3.2 Ansvarsfrihet

Enligt aktiebolagslagen skall bolagsstämman i Sverige ta upp frågan om ansvarsfrihet till styrelsen som ett obligatoriskt ärende på dagordningen (ABL §11). Motsvarande krav saknas i Danmark där ASL istället föreskriver att frågan kan tas upp om bestämmelse om detta finns i bolagsordningen (§69 stk2). Caspar Rose[20] argumenterar för att ansvarsfrihet försvagar aktieägarskyddet och att det är främmande för god corporate governance sed att en bolagsledning ska kunna friskrivas från ansvar. I en replik uttrycker Carl Svernlöv åsikten att ansvarsfrihet tvärtom gynnar aktieägarna. Bland annat menar Svernlöv att möjligheten att beviljas ansvarsfrihet ger incitament till styrelsen att lämna uttömmande information till aktieägarna liksom incitament till aktieägarna att snabbt ta beslut om eventuella förvaltningsåtgärder. Den bidrar också till att stärka ledningens moral samt medför arbetsro och fokus när ansvarsfrågan inte kvarstår latent under långa tidsperioder[21]. Enligt Svernlövs resonemang skulle ansvarsfrihet alltså kunna medverka till att aktieägare ges mer information av styrelsen.

3.3 Tidpunkt för kallelse till bolagsstämma

För att aktieägarnas ska ha möjlighet att utöva sina rättigheter krävs att de ges tillräckligt med tid att förbereda sig inför en bolagsstämma[22]. Tidsfristen för kallelse till bolagsstämma är väsentligen kortare i Danmark än i Sverige. ASL föreskriver att kallelse till bolagsstämma ska ske senast 8 dagar före bolagsstämman (ASL § 73) vilket är lite i jämförelse med övriga Europeiska länder. Motsvarande tidsfrist i Sverige för publika aktiebolag är ett minimum om fyra veckor (ABL §18 och 19) när det gäller årsstämman och andra ordinarie bolagsstämmor, samt en extra bolagsstämma där fråga om ändring av bolagsordningen ska prövas[23], vilket å andra sidan är en av de längsta tidsfristerna i Europa[24]. Teoretiskt kan tänkas att ju kortare tid en aktieägare har till att förebereda sitt bolagsstämmodeltagande desto sämre maktposition får densamme. Detta indikerades också i den danska utredningen Debatoplæg om aktiv ejerskab som konstaterade att den danska tidsfristen för kallelse till bolagsstämma om minst åtta dagar är kort i förhållande till andra Europeiska länder vilket speciellt kan göra det problematiskt för utländska ägare att utöva sina ägarrättigheter. Utredningen skriver också att inget hindrar aktieägarna från att utöka kallelsefristen så att de bättre kan förbereda sig för bolagsstämma, men konstaterar samtidigt att det är en rättighet som aktieägarna sällan utnyttjar[25]. Utredningen konkluderar att

---

[20] Jf. C. Rose i NTS 2002:2

[21] Jf. C. Svernlöv i NTS 2005:01 och NTS 2007:2 samt ”Ansvarsfrihet – Dechargeinstitutet i svensk aktiebolagsrätt”, C. Svernlöv, 2007, Norstedts Juridik.

[22] Jf. Debatoplæg om aktiv ejerskab (1999)

[23] För övriga stämmor är tidsfristen två veckor

[24] Minimitid för när kallelse ska vara offentliggjord innan bolagsstämma varierar mellan 14 och 21 dagar i österrike, Spanien, Belgien, Finland, Grekland, Irland, Italien, Luxemburg, Nederländerna, och Storbritannien. Längst tidsfrister har Tyskland och Sverige (årsstämman m.m.) med 28 dagar samt Frankrike och Portugal med 30 dagar. Danmark är ensamt om att ha en kortare tidsfrist än två veckor. Se ”Comparative Study of Corporate Governance Codes Relevant to the European Union and Its Member States” (2002). Kan laddas ner hos European Corporate Governance Institute: http://www.ecgi.org/codes/documents/comparative_study_eu_i_to_v_en.pdf

[25] Jf. Debatoplæg om aktiv ejerskab (1999) p. 216f samt pp.228-229.

den korta kallelsefristen är ett problem och att det bör övervägas att förlänga tidsfristen för kallelse då någonting tyder på att aktieägare inte utnyttjar eller känner till sina möjligheter att anpassa tidsfristen till aktieägarnas behov.

EU:s direktiv 2007/36 föreskriver att kallelse till bolagsstämma ska ske med 21 dagars varsel[26]. Beträffande de nationella koderna för bolagsstyrning föreskrivs endast att bolagsstämma ska inkallas med ”tillräckligt varsel”[27]. Ser vi till den faktiska kallelsetid som tillämpas bland bolagen i urvalet så varierar kallelsetiden innan bolagsstämman mellan 10 och 27 dagar med ett genomsnitt på 18 dagar för de danska bolagen. De svenska bolagens tidsfrist för kallelse till bolagsstämman varierar mellan 19 och 43 dagar[28] med ett genomsnitt på 32 dagar[29].

3.4 Offentlig information on ägarförhållandena

Som konstaterats är aktieägarnas reella möjligheter att utnyttja sina rättigheter en väsentlig faktor för bolagsstämmans funktion. Mot den bakgrunden finns ytterligare en juridisk omständighet som indirekt berör aktieägarna och det är huruvida information om ägandet är offentligt. I den svenska nationella koden för bolagsstyrning förespråkas att styrelser ska tillsättas på förslag av så kallade valberedningar, det vill säga formella kommittéer bestående av bolagets ägare, som utvärderar och föreslår styrelsemedlemmar på bolagsstämman[30]. En sådan praxis förutsätter att aktieägandet är allmänt känt. Eftersom bruket av valberedningar numera är att betrakta som standard i svenska börsbolag[31] kommer det faktum att information om ägandet är offentligt att diskuteras som en ytterligare faktor som indirekt påverkar aktieägarnas möjligheter att utnyttja sina rättigheter.

I svenska aktiebolag förs alltid en aktiebok innehållande uppgifter om aktier och aktieägare (ABL 5:1). Aktiebokens syfte är enligt ABL att ”ligga till grund för utövandet av aktieägares rättigheter mot bolaget” samt att ”ge bolaget, aktieägare, och andra underlag för att bedöma ägarförhållandena i bolaget” (ABL 5:1). Aktieboken är offentlig för såväl icke avstämningsbolag (ABL 5:10) som avstämningsbolag, i det senare fallet dock med tillägget att aktieägare vars innehav uppgår till mindre än 500 aktier inte behöver offentliggöras (ABL 5:19). För danska bolag gäller att endast aktieägande som överstiger 5 % av det totala antalet aktier i ett bolag görs

[26] Artikel 5, punkt 1.
[27] Jf. Anbefalinger før god selskabsledelse i Danmark, 2005, p.55 samt Svensk kod för bolagsstyrning, 2008, punkt 1.2, p.15
[28] Maximal tidsfrist i Sverige uppgår till 42 dagar. Ett bolag i studien kallade 2005 till bolagsstämma med längre tidsfrist än den tillåtna. Då ingen aktieägare klandrade bolaget på denna grund är besluten som fattades på bolagsstämman ändå giltiga.
[29] Om vi istället räknar i antal arbetsdagar (lördag/söndag samt helgdagar borträknade) så varierade de danska bolagens kallelsefrist mellan 6 och 19 arbetsdagar med ett genomsnitt på 12 arbetsdagar. För de svenska bolagen varierade kallelsefristen mellan 11 och 29 arbetsdagar med ett genomsnitt på 21 arbetsdagar.
[30] Jf. Svensk kod för bolagsstyrning (reviderad 2008), punkt 2.1. Kan nedladdas från Kollegiet för Svensk Bolagsstyrning; www.bolagsstyrning.se (081026)
[31] Svensk kod för bolagsstyrning bygger på principen om att ”följa eller förklara” och det kan därför finnas enskilda bolag som saknar valberedning.

offentligt. Aktieägarna saknar alltså information om ägarkretsens sammansättning[32]. Även om frågan varit föremål för löpande diskussion i Danmark och det har konstaterats att ökad öppenhet kring ägarförhållandena skulle kunna stärka de aktiva ägarskapet[33] så finns idag inte mer än en uppmaning i den nationella bolagskoden om öppenhet och transparens kring alla informationer av betydelse för värdering av bolaget[34]. Frågan som uppstår är hur aktieägarnas möjligheter att utnyttja bolagsstämman påverkas av denna skillnad. Bruket av valberedningar i Sverige påvisar möjligheten för aktieägarna att gruppera sig och samarbeta i det fall ägandet är allmänt känt. Genom sådana samarbeten – formella eller informella - kan aktieägarna kringgå de kollektiva beslutsproblem som annars kan påverka deras reella makt på grund av potentiella svårigheter att koordinera sina intressen och handlingar.

4. EMPIRISKA EXEMPEL FRÅN SVERIGE OCH DANMARK

Som tidigare nämnts syftar bolagsstämman till att ge aktieägare tillfälle att övervaka ledningen. Det sker genom att aktieägarna får tillgång till information, möjlighet att fatta beslut samt tillfälle att diskutera. Tabell ett sammanfattar data som beskriver bolagsstämmor i Sverige och Danmark utifrån de tre funktionerna. Uppgifterna är insamlade genom deltagande observation på 78 bolagsstämmor som hölls under 2004-2008[35]. Informationsfunktionen belyses genom sju indikatorer som fångar bolagens informationsförmedling till aktieägarna samt i hur stor utsträckning aktieägarna själva använder bolagsstämman till att begära information. Beslutsfunktionen belyses genom fem indikatorer vilka avspeglar möjligheten att fatta beslut samt det beslutsfattande som sker. Slutligen belyses bolagsstämmans diskussionsfunktion genom tre indikatorer inriktade på förekomsten och omfattningen av diskussioner. Senare ska även återkommas till vilka ämnen aktieägarna diskuterar och ställer frågor om.

---

[32] Jf. Clausen & Sørensen, ”Ekspertundersögelse vedrørende åbenhed om aktiebesiddelser”, 2001, som undersöker öppenheten kring aktieägande i ett flertal länder. Författarna konstaterar att Danmark står i stark kontrast till andra länder när lagen föreskriver att aktieboken inte ska hållas offentlig för ett bolags aktieägare, p.56f.

[33] Jf. 1969-betænkningen p.77f, Debatoplæg om aktiv ejerskab, 1999, samt P. Krüger Andersen, ”Aktie- og Anpartsselskabsret”, 2008, p.179.

[34] Jf. Anbefalinger før god selskabsledelse i Danmark, 2005, punkt 3.1.

[35] Studien bygger på observationer från 39 svenska bolagsstämmor (18 från 2004, 14 från 2005 samt 7 från 2007). De svenska bolagsstämmorna ingår i en större studie där ett ytterligare antal stämmor besökts i syfte att studera institutionella ägare. Urvalet har baserats på storlek och ägarstruktur. I Danmark besöktes 39 bolagsstämmor under 2008. De danska bolagsstämmorna har valts ut enbart för den jämförande studien med Sverige. Urvalet har genomförts så att maximalt antal stämmor kunnat besökas med hänsyn till stämmodatum, tid och plats. Large Cap bolag har prioriterats i första hand, Mid Cap i andra hand och Small Cap sist. Om ytterligare urvalsprincip krävts har de bolag med flest aktieägare valts i första hand.

BOLAGSSTÄMMAN I GENOMSNITT	SVERIGE *(N=39)*	**DANMARK** ***(N=39)***
INFORMATIONSINDIKATORER[36].		
Årsredovisning delas ut på stämma *(% av tot.)*	39 (100)	34 (87)
Agenda delas ut på stämma *(% av tot.)*	39 (100)	26 (67)
Revisor håller presentation *(% av tot.)*	39 (100)	0 (0)
Antal stämmor med kritik av information *(% av tot.)*	1 (3)	5 (13)
Totalt antal ställda frågor	279	233
- varav frågor till revisor (snitt/stämma)	*11 (0,3)*	*0 (0)*
- varav ej besvarade (snitt/stämma)	*5 (0,1)*	*7 (0,2)*
BESLUTSINDIKATORER[37]		
Antal ej beslutsföra stämmor *(% av tot.)*	0 (0)	4 (10)
Styrelseförslag *(snitt/stämma)*	136 (3,5)	289 (7,4)
- varav nedröstade styrelseförslag	*0*	*0*
Ägarförslag ink. valberedning *(snitt/stämma)*	233 (6,0)	7 (0,2)
- varav nedröstade ägarförslag	*26*	*7*
DISKUSSIONSINDIKATORER		
Diskussion förekommer *(% av tot.)*	39 (100)	39 (100)
Antal ägare i diskussion/stämma	5,1	4,7
Totalt antal uttryckta åsikter *(snitt/stämma)*	126 (3,2)	311 (8,0)

Tabell 1: Beskrivning av svenska och danske bolagsstämmor

[36] Med informationsindikatorerna 1 och 2 avses huruvida det på förfrågan går att få tilldelat en kopia av årsredovisning respektive agenda i bolagsstämmolokalen. För såväl svenska som danska bolagsstämmor är agendan publicerad i samband med kallelsen och årsredovisningar finns utlagda på Internet eller hålls tillgängliga hos bolaget.

[37] Indikatorn om beslutför stämma grundas på lagstiftarens krav om viss majoritet för beslutsfattande och huruvida aktierepresentationen på bolagsstämman är tillräcklig för att uppnå kraven.

Sammanställningen visar flera omedelbart framträdande skillnader mellan Sverige och Danmark som rör såväl besluts-, informations- som diskussionsfunktionen. Beträffande informationsfunktionen så får svenska aktieägare generellt mer information än de danska. Som framgår av indikator ett och två kan flera danska bolag på förfrågan inte tillhandahålla en tryckt årsredovisning eller en agenda för bolagsstämman på plats i stämmolokalen. Revisorns roll skiljer sig också markant. I Sverige har revisor som standard en egen punkt på agendan då information lämnas till aktieägarna om revisionsarbetet och revisionsberättelsen. Revisorn lämnar även en rekommendation till aktieägarna angående beslut om ansvarsfrihet. Revisorn i danska bolag har ingen egen punkt på någon bolagsstämma. Ansvarsfrihet är heller inte en obligatorisk punkt även om man i en del bolag ändå har ansvarsfrihetsbeslut på agendan.

På fem av de danska bolagsstämmorna förekommer kritik från aktieägare gentemot bolaget rörande brist på information vilket ska jämföras med ett bolag i Sverige. Informationsförmedlingen från styrelse och ledning är generellt också snålare än i Sverige. Detta syns inte minst i styrelsens och verkställande direktörens presentationer. Medan danska presentationer är begränsade till en sammanfattning av det gångna året, en genomgång av årsräkenskaperna samt förväntningar om framtiden så får svenska aktieägare oftast utöver detta också utförlig information om styrelsens arbete och om arbetet i ersättnings- och revisionskommittéer i den mån bolaget har sådana[38]. Valberedningen, som är de svenska ägarnas organ för styrelsenominering, lämnar också information som handlar om hur styrelsen utvärderats och på vilka grunder nya styrelseledamöter föreslås. Valberedningen ska vi senare återkomma till.

Aktieägare i såväl Sverige som Danmark ges möjlighet att ställa frågor. Svenska aktieägare ställer fler frågor än de danska, något som kan hänga samman med att Sverige har en betydligt aktivare aktiespararförening[39] än Danmark. Sveriges Aktiesparares Riksförbund utnyttjar varje stämma till att ställa frågor till styrelse och ledning medan Dansk Aktionärforening uppträder på ungefär en tredjedel av stämmorna. I samhällsdebatten hörs ibland åsikten att aktieägare aldrig eller sällan använder bolagsstämman för relevanta frågeställningar. Det kan därför vara intressant att se närmare på vilka ämnesområden aktieägarna ställer frågor om. I nedanstående diagram har aktieägarnas totala antal frågor fördelats över tio ämneskategorier. Det kan noteras att frågor av finansiell, strategisk eller verksamhetsmässig karaktär helt dominerar över övriga frågeställningar. I kategorin ”övrigt” ingår frågor som är helt irrelevanta för bolaget och

---

[38] I Danmark är det med revisorsloven 2008 § 31 numera obligatoriskt för börsnoterade bolag att inrätta en revisionskommitté (revisionsudvalg). Även ersättningskommittéer (vederlagsudvalg) och valberedningar (nomineringsudvalg) finns med som corporate governance mekanismer i bilaga till Anbefalinger før god selskabsledelse i Danmark, 2005. Se även P. Krüger Andersen, ”Aktie- og Anpartsselskabsret”, 2008, p.288.

[39] Sverige och Danmark har varsin etablerade aktiespararförening. Sveriges Aktiesparares Riksförbund (>>Aktiespararna<<) bildades 1966. Förbundet har 46 anställda, drygt 77000 medlemmar och omsätter 30,6 MSEK. Under 2007 bevakade förbundet 555 bolagsstämmor i Sverige (årsredovisning 2007). Dansk Aktionærforening bildades 1984. Föreningen har 4 heltids- och 5 deltidsanställda, drygt 19000 medlemmar och omsätter 9,8 MDKK (årsrapport, 2007). Under 2007 bevakade föreningen mellan 20-25 generalforsamlinger i Danmark (enligt uppgift från föreningen).

aktieägarna. Det kan handla om frågor av personlig art såsom privata fakturor eller mobiltäckning på en privatpersons landställe.

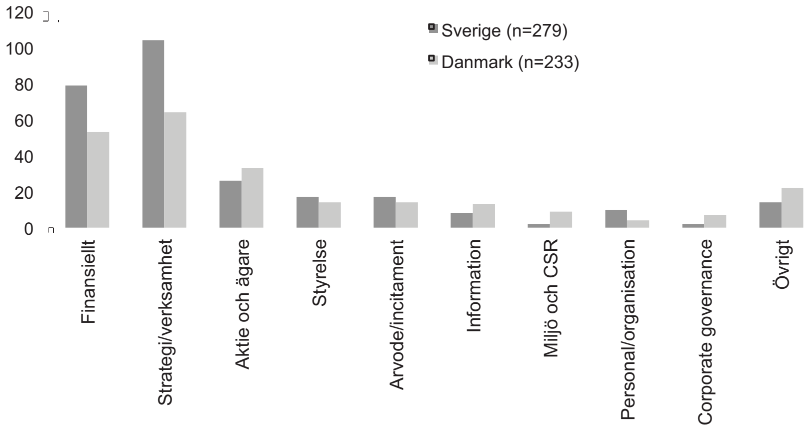


Diagram 1: Fördelning av aktieägarnas totala antal ställda frågor på bolagsstämmor i Sverige och Danmark över ämnen

Går vi vidare till bolagsstämmans beslutsfunktion så framgår av tabell 1 att det i Danmark förekommer att bolagsstämmor på grund av låg närvaro inte är beslutsföra med hänsyn till de punkter som upptagits i agendan. I dessa fall genomförs bolagsstämman ändå med undantag för de beslut som inte kan fattas. Således krävs senare en extra bolagsstämma för att slutföra beslutsfattandet. Detta fenomen förekommer inte i de svenska bolagen.

Även vad gäller framläggande av förslag och faktiskt beslutsfattande finns stora nationella skillnader. I svenska bolag är aktieägarna organiserade i formella valberedningar med uppdraget att representera aktieägarnas gemensamma intressen vid bland annat styrelserekrytering, revisorsval och arvodering. Valberedningen föreslår styrelsesammansättning, arvodesnivåer till styrelsen, val av revisor eller revisionsbolag, samt principer för revisorsarvode. Det innebär att aktieägarna i Sverige ansvarar för flera av de förslag till beslut som styrelsen är ansvarig för i Danmark. Detta avspeglas tydligt i statistiken som visar att styrelserna i Danmark lägger fram mer än dubbelt så många förslag som de svenska, samtidigt som förslag från aktieägare är mångdubbelt fler i Sverige än i Danmark. Antalet förslag från svenska aktieägare uppgår i samplet till 233 stycken vilket motsvarar i genomsnitt sex förslag per stämma varav få röstas ner. I Danmark uppgår det totala antalet förslag till sju varav samtliga röstas ner.

Slutligen ser vi på bolagsstämmans diskussionsfunktion enligt beskrivningen i tabell 1. Det kan konstateras att diskussion mellan aktieägare och ledning förekommer på samtliga stämmor i såväl Sverige som Danmark. Det genomsnittliga antalet deltagande aktieägare i diskussion är något större i Sverige. Den stora skillnaden ligger i antalet uttryckta åsikter. Danska aktieägare uttrycker totalt 311 åsikter (motsvarande i genomsnitt 8 åsikter per stämma) att jämföra med svenskarnas 126 åsikter (i genomsnitt 3,2 åsikter per stämma). Fördelat över ämnen (diagram två) ser vi att bolagsrelaterade åsikter sammantaget helt dominerar över den irrelevanta kategorin ”övrigt”. För Danmark är åsikter om övrigt dock nästan lika många som de finansiella åsikterna. Som kuriosa kan nämnas att kategorin ”övrigt” i Danmark innehåller diskussioner om bland annat diabetes bland inuiter och storleken på brevinkast i Köpenhamnsområdet medan de svenska aktieägarna avhandlar sådant som forna tiders telefonbås samt utrikesminister Carl Bildt.

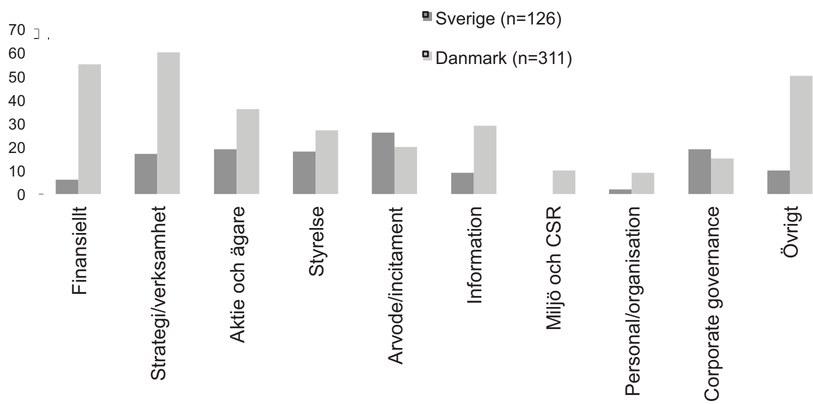


Diagram 2: Fördelning av aktieägarnas totala antal uttryckta åsikter på bolagsstämmor i Sverige respektive Danmark över ämnen

5. DISKUSSION

Definitionen av bolagsstämman såsom syftande till att ge aktieägare möjlighet att övervaka ledningen innehåller tre funktioner; beslut, information samt diskussion. Aktieägare måste ha tillgång till information om hur bolaget sköts, legala rättigheter och praktiska möjligheter att fatta beslut, samt möjlighet att diskutera åsikter i syfte att koordinera sina handlingar. Nedan diskuteras hur dessa ändamål uppfylls i Sverige och Danmark. Resultaten analyseras tentativt relaterat till de nationella juridiska skillnader som antas påverka bolagsstämman som aktieägarforum. Analysen utgår från vad som skulle hända med bolagsstämman som kontrollmekanism i den händelse att något av de tre funktionerna tas bort eller inte kan uppfyllas.

Den första och andra funktionen säkerställs genom diverse lagrum medan det sista ändamålet – bolagsstämman som diskussionsforum - är mera sparsamt behandlad[40].

Beträffande informationsfunktionen visar studien att aktieägare i Sverige ges tillgång till betydligt mer information än aktieägare i Danmark. Ledningspresentationerna innehåller utöver verkställande direktörens anförande om verksamhetsåret, räkenskaper och förväntningar om framtiden, som är standard i båda länderna, även information om styrelsens arbete, eventuellt kommittéarbete, information från revisorn angående revisionsprocessen och resultatet av revisionen samt information från valberedningen om styrelseutvärdering och motiveringar av föreslagna nyval till styrelsen. Tidigare publikationer hävdar att ansvarsfrihet kan fungera som ett incitament att förse aktieägarna med information[41]. Utan att dra för långtgående slutsatser kan här konstateras att informationsförmedlingen förefaller väsentligen större i svenska bolag. Även den detaljerade information som lämnas från revisorn kan ses i ljuset av lagparagrafen om ansvarsfrihet då revisorns information ämnar leda fram till just ett beslut om ansvarsfrihet. Denna rekommendation uppfattas också av svenska aktieägare som mycket väsentlig[42].

En väl fungerande beslutsfunktion förutsätter att aktieägarna i förväg delges information om bolagets utveckling och ställning. Således är informationsfunktionen klart motiverad för uppfyllande av bolagsstämmans syfte. Som konstateras i tidigare forskning kan aktieägarnas beslutsmöjligheter påverkas av kollektiva handlingsproblem. Att information om ägandet är offentligt i Sverige ger aktieägare möjlighet att organisera samarbeten, antingen formellt inom ramen för en valberedning, eller informellt under det paraply för minoritetsaktieägare som Sveriges aktiesparares riksförbund utgör, och innebär i detta avseende en klar fördel för aktieägarna. Av det insamlade data framgår också att antalet förslag från aktieägare är mångdubbelt större i Sverige än i Danmark vilket kan ses som en direkt konsekvens av förekomsten av valberedningar. Det innebär att en stor del av makten genom aktieägarnas formella samarbete flyttas från styrelsen.

Det kan tyckas anmärkningsvärt att extra bolagsstämmor ibland blir nödvändiga i Danmark med tanke på att de juridiska majoritetskraven är identiska med de svenska samtidigt som fullmaktsreglerna i Danmark verkar kraftigt till styrelsernas fördel. Även den danska tidsfristen om minimum åtta dagar för att kalla aktieägare till bolagsstämma är värd att notera i detta sammanhang. Det kan ifrågasättas om denna tidsfrist verkligen ger aktieägare tillräckligt med tid att planera sitt deltagande. Förekomsten av icke beslutföra bolagsstämmor indikerar att så inte är fallet.

---

[40] I OECDs rekommendationer i corporate governance frågor framhålls dock väsentligheten i att aktieägarna ges möjlighet att ställa frågor till styrelsen och ledningen i bolaget (2004, p.18). Rapporten kan laddas ner från European Corporate Governance Institute http://www.ecgi.org/codes/documents/principles_en_final.pdf

[41] Jf. C. Svernlöv i NTS 2005:01 och NTS 2007:2 samt ”Ansvarsfrihet – Dechargeinstitutet i svensk aktiebolagsrätt”, C. Svernlöv, 2007, Norstedts Juridik.

[42] Jf. Ekenstam, A-K., ”Aktieägarna tycker till om bolagsstämman och ansvarsfriheten”, FAR SRS, mars 2008.

I Sverige gäller som tidigare nämnts att fullmakter får samlas in på bolagets bekostnad om det finns bestämmelse om detta i bolagsordningen. De insamlade fullmakterna får då inte vara öppna och styrelseledamöter eller verkställande direktör får inte heller vara ombud för dessa fullmakter. I Danmark har styrelsen betydligt större möjligheter att skaffa sig rösträttsmakt då även in blanco fullmakter får samlas in på bolagets bekostnad. Det förekommer att styrelser i Danmark genom insamlande av fullmakter innehar majoritet av rösterna och således absolut makt över aktieägarna på bolagsstämman. I de danska bolag där styrelsen har som rutin att redan med kallelsen till bolagsstämma bifoga en blankett för överlämnande av rösträtt till styrelsen adresseras detta ibland av aktieägare som undrar över styrelsens syfte med dessa rösträttsinsamlingar. Det måste konstateras att i det fall beslutsrätten ligger i händerna på styrelsen fyller bolagsstämman inte längre något syfte. Konsekvenserna av att styrelsen i vissa bolag godkänner sina egna förslag blir inte bara en märklig maktbalans mellan ägare och styrelse utan också att bolagsstämmans grundläggande syfte som organ för bolagets ägare att övervaka ledningen inte kan uppfyllas. Fullmaktsinsamling bidrar möjligen även till att bolagsstämman tappar sitt värde som diskussionsforum då incitamenten för övriga aktieägare att diskutera riskerar att minska om aktieägarna löper risk att röstas ner av styrelsen. Det är alltså väsentligt att regler och praxis kring rösträtt och fullmakter utformas så att bolagsstämmans funktion som beslutsorgan för aktieägarna kan upprätthållas.

Den tredje funktionen – diskussionsforumet – är måhända den minst uppmärksammade men inte desto mindre viktiga. Det kan konstateras att utan offentlig information om ägandet försvåras möjligheten att lösa kollektiva beslutsproblem genom samarbeten och gemensamma förberedelser utanför bolagsstämman. Därmed spelar diskussionsfunktionen eventuellt en ännu större roll för aktieägarnas möjligheter att kringgå dessa kollektiva beslutsproblem. Utifrån ett sådant resonemang torde bolagsstämman spela en större roll för de danska aktieägarna som ett forum för diskussion då information om ägandet inte är offentligt, och då inga formella eller synliga samarbeten kan påvisas. Insamlade data styrker i vis mån detta genom skillnader i antal åsikter som aktieägarna i genomsnitt framför under en bolagsstämma. Till skillnad från antalet frågor, som i jämförelse är något större i Sverige, så förekommer betydligt fler åsikter och synpunkter på danska bolagsstämmor än vad som är fallet på de svenska. Mot det rimliga antagandet att aktieägarna i Sverige diskuterar även under valberedningsarbetet kan frånvaron av formella ägarsamarbeten i danska bolag vara en tänkbar förklaring till det betydligt större antalet åsikter som kommer till uttryck på stämman. Utan möjlighet för aktieägare att diskutera utanför stämman så ökar behovet att övervaka ledningen på stämman genom att ifrågasätta och ventilera åsikter. Om så är fallet framstår värdet för aktieägarna av att information om ägandet är offentligt som än mer tydligt.

Bolagsstämmans värde som diskussionsforum kan dock inte avfärdas i och med det att aktieägarna har möjlighet att samverka utanför bolagsstämman. Detta följer av att alla aktieägare inte kan ingå i de formella samarbetena och även aktieägare som står utanför samarbetena måste få möjlighet att uttrycka åsikter. Även i Sverige finns exempel på situationer där aktieägare efter diskussion beslutat att rösta emot en styrelse även om detta är mycket ovanligt. Men i de fall information om ägandet inte är offentligt växer diskussionsfunktionens betydelse nämnvärt.

6. SLUTSATSER

Sammanfattningsvis kan konstateras att bolagsstämmor i Sverige i högre utsträckning än i Danmark fungerar som teorin föreskriver. De tre funktionerna som bolagsstämman har att fylla kan utnyttjas av aktieägarna på ett mer fullgott sätt än i Danmark och den svenska lagstiftningen kan i viss mån anses bidragande härtill. Studien visar att informationsflödet är högre i svenska bolag såväl från bolaget till aktieägarna som i fråga om den information som aktieägarna begär från bolaget. Aktieägare kritiserar mer sällan bolaget för bristande information. Revisorn har en aktiv roll som aktieägarnas agent och frågor till revisorn förekommer. Aktieägare ställer något fler frågor än vad som är fallet i Danmark och något fler aktieägare deltar i diskussion trots att antalet åsikter som uttrycks är nämnvärt större i Danmark.

Att information om ägandet är offentligt ger förutsättningar att kringgå kollektiva beslutsproblem genom formella samarbeten i valberedningar och ger därmed aktieägarna en reell möjlighet att vara den maktmässiga motpol till styrelsen som bolagsstämmor i grunden syftar till. Tidsfristen på minst 28 dagar för kallelse till årsstämma m.m. ger sannolikt aktieägare större möjligheter att förbereda sitt deltagande. Detta indikeras av att bolagsstämmor i Sverige alltid var beslutsföra medan danska bolagsstämmor, där reglerna för kallelse innebär en betydligt kortare tidsfrist, i flera fall kräver en extra bolagsstämma på grund av att aktieägarnas närvaro inte är tillräcklig för att nå lagstiftarens och bolagsordningens majoritetskrav vid beslutsfattande. Det högre utnyttjandet av bolagsstämman som beslutsorgan framgår empiriskt av att aktieägare i Sverige lägger betydligt fler förslag än styrelsen varav den överväldigande majoriteten röstas igenom.

Regler och praxis kring rösträtt spelar stor roll för huruvida bolagsstämman fungerar som ett beslutsorgan för aktieägarna. Såväl regelverk som praxis kring insamling av fullmakter skiljer sig mellan Sverige och Danmark då danska styrelser har möjlighet att samla in öppna fullmakter och själva rösta dessa på stämman, vilket också förekommer i praktiken. När så sker i större omfattning kan bolagsstämman inte längre uppfylla sitt syfte som kontrollorgan, vilket också konstaterats i tidigare arbeten[43]. Fullmaktsreglerna påverkar sannolikt också aktieägarnas incitament att diskutera då diskussionsviljan riskerar att förtas om aktieägarna kan röstas ner av styrelsen. Diskussionsfunktionen är väsentlig för aktieägarnas möjligheter att överbrygga svårigheter att samordna sina åsikter och handlingar, inte minst i det fall formella samarbeten mellan aktieägarna inte finns eller är omöjliga att organisera. Detta indikeras av att danska aktieägare använder bolagsstämman väsentligen mer än de svenska till att uttrycka åsikter och kritisera bolaget. Sammantaget förefaller det som att bolagsstämman i svenska bolag i högre grad uppfyller de avsedda syftena.

---

[43] Jf. P. Krüger Andersen, "Aktie- og Anpartsselskabsret", 2008, p.356

Voting Power and Shareholder Activism

A Study of Swedish Shareholder Meetings†

Thomas Poulsen*, Therese Strand, Steen Thomsen

ABSTRACT

Manuscript type: Empirical

Research Question/Issue: This paper analyses the impact of voting power on shareholder activism using unique data on activism at Swedish shareholder meetings. We hypothesize that there is a positive relationship between shareholder activism and a measure of the largest shareholder's sensitivity to increased participation by small shareholders.

Research Findings/Insights: We find that firms' amenability to small shareholder influence leads to more proposals by the nomination committee, but fewer proposals by other shareholders and fewer proposals voted against. We interpret this as evidence that the shareholder elected nomination committees effectively channel shareholder concerns and preempt other kinds of activism. In addition, we find more shareholder activity in large firms and less activity in leveraged firms.

Theoretical/Academic Implications: This paper offers a new voting power approach to the study of shareholder activism. We show the empirical implications of this approach, but also the importance of local institutions such as nomination committees in shaping the nature of shareholder activism.

Practitioner/Policy Implications: Politicians and companies that desire active shareholders could improve the amenability of firms to shareholder influence by ownership transparency, shareholder committees, contacts with shareholder associations and other vehicles for collective action.

Keywords: Corporate Governance, Shareholder Activism, Ownership Structure, Coalitions

† This article is originally published in Corporate Governance: An International Review, Vol.18, Issue 4, (2010), and nominated for 'Best Paper Proceedings' by Academy of Management (2010).
* Corresponding author. Copenhagen Business School, Department of International Economics and Management, Porcelaenshaven 24, 2000 Frederiksberg, Denmark. Tel: +4538152372. Fax: +4538152515. E-mail: tpo.int@cbs.dk

1. INTRODUCTION

Activism by pension funds, hedge funds and other institutions is on the rise, spreading beyond the Anglo-American governance system where it began (Gillan and Starks, 2007). Yet, we still know very little about shareholder activism outside the US and UK and next to nothing about activism by non-financial institutions. Despite the important formal role ascribed to shareholders in company law, many of them appear passive (Gillan and Starks, 1998; Karpoff, 2001).

In this paper, we make what we believe to be an important contribution to the literature on shareholder activism. We develop a new voting power theory, which we apply to a unique data set on Swedish shareholder meetings. Viewing shareholder activism as a balancing of costs and benefits in representing minority investor interests (Grossman and Hart, 1980; Pozen, 1994; Shleifer and Vishny, 1986), we argue that the expected net benefits depend critically on the probability of successful intervention, which in turn depends on the company's ownership structure, size, identity of shareholders, leverage and local institutions.

We choose Sweden as a testing ground for our hypotheses for three reasons. First, information on ownership structures of listed firms is publicly available enabling us to calculate each shareholder's relative voting power more precisely. Second, given Sweden's intermediate level of ownership concentration, smaller shareholders can often make a difference in coalition building. Third, studying Sweden illustrates how the institutional environment influences shareholder activism which is often directed against a ruling coalition of large blockholders rather than an entrenched management team as in the US and UK.

Sweden's governance system is characterized by business groups, two-tier boards, labor influence and consensus (Norden and Strand, 2009; Sinani, Stafsudd, Thomsen, Edling and Randøy, 2008). In this setting, affecting a change through overt activism may be difficult. However, we find evidence that shareholder based nomination committees function as a vehicle for more subdued, negotiated compromises between small shareholders and controlling blockholders. We also find evidence that board proposals are substituted by shareholder proposals, that foreign ownership increases activism and that activism is higher in larger firms. In contrast, shareholder activism is lower in more leveraged firms, indicating that creditors take over some of the monitoring.

The paper proceeds as follows. In the next section, we introduce the theoretical background before we continue to describe the Swedish context and in particular the role of nomination committee. We then develop our three hypotheses before introducing the data and methodology, where we describe the purpose and use of voting power indices, activism variables and control variables. Thereafter, we present and discuss the results. The final section concludes and discusses policy implications of our findings.

2. THEORETICAL BACKGROUND

Current research on shareholder activism is focused on Anglo-American evidence (Boubaker and Labégorre, 2008; Kruse, 2007 are valuable exceptions). Moreover, it is concerned mainly with effects on firm value or shareholder returns, and has primarily studied pension funds and hedge funds rather than private individuals or other actors (Sjöström, 2008 is a valuable exception in that she researches shareholder activism on social and environmental issues). As a rough generalization, attempts by pension funds to reform corporate governance by making proposals at shareholder meetings are regarded by many researchers as unsuccessful in influencing firms and increasing their value (Gillan and Starks, 2000; Wahal, 1996), although there is some evidence that voting against proposals by the board in targeted firms may have positive value effects (Del Guercio, Seery and Woidtke, 2008).

In contrast, so-called entrepreneurial shareholder activists like hedge funds and private equity firms are found to be quite successful in influencing companies (Gillian and Starks, 2007). Activist funds (Becht, Franks, Mayer and Rossi, 2009), hedge funds (Brav, Jiang, Partnoy and Thomas, 2008; Klein and Zur, 2009), corporate raiders (Holderness and Sheehan, 1985) and large blockholders (Barclay and Holderness, 1989, 1991) have all been found to have a positive effect on firm value. Most recently, Becht et al. (2009) and Klein and Zur (2009) found that such entrepreneurial investors are very successful in accomplishing their objectives, for example replacing board members, changing corporate strategy or opposing a merger.

However, these findings have limited applicability in continental Europe, where ownership concentration is higher (e.g. Barca and Becht, 2002) and the supremacy of shareholder interests is contested (Tirole, 2006). In this paper, we therefore focus on the more mundane activism exerted by shareholders at annual general meetings: making proposals, expressing opinions and voting against the board. We conjecture that the ability to mobilize a coalition is necessary for this type of activism to be effective, and that voting power and shareholder activism are therefore related.

Formally, shareholders' annual general meetings serve as an arena for face to face interaction between shareholders and management, where shareholders can hold management to account (Lawton and Rigby, 1992; Strätling, 2003). However, large shareholders including major institutional investors are known to favour private negotiations with management over public appearances (Short and Keasey, 1999). This tendency is reinforced by proxy voting in favour of the board (Strätling, 2003), and sidestepping the general meetings has undoubtedly contributed to a drop in meeting attendance (Nilsson and Hassel, 2004; Strätling, 2003). Annual general meetings are often seen only as rituals (Aggarwal, 2001; Hodges, Macniven, and Mellett, 2004; Schilling, 2001) or "annual headaches" at which management is questioned by social activists (Apostolides, 2007; Saxon, 1966). Nonetheless, even when ownership concentration is high, meetings may still contribute to accountability, since minority shareholders can criticize managers at the meetings with an element of surprise, which forces managers to be on their toes (Catasús and Johed, 2007; Gray, Owen, and Maunders, 1988).

Following Grossman and Hart (1980), Shleifer and Vishny (1986) and Pozen (1994), activism is regarded as rational (in a financial sense) when shareholders balance the expected costs and benefits and take action only when the benefits exceeds the costs.[1] The likelihood of activism depends on the probability of successful intervention, which balances the considerations of costs and benefits. In order to operationalize this probability of successful intervention, we construct a measure of amenability based on previous voting power literature by Banzhaf (1965), Dubey and Shapley (1979), and Shapley and Shubik (1954). Voting power has been used in studies of power struggles between shareholders (e.g. Leech, 1987; Zingales, 1994), but, as far as we know, never been applied to the costs and benefits of activism.

The expected rationality of activism goes beyond these apparent costs and benefits. First, it may be possible to exercise influence on management or the ruling coalition of shareholders through social pressure. Second, for professional investors, activism at an annual general meeting may serve a broader purpose, i.e. it may be part of a general campaign for or against certain management practices or a deterrent against unwanted behavior in other companies who learn about events through the media (Norden and Strand, 2009). While activity in one context may appear symbolic, it may be fully rational if understood in a broader setting. This also applies if a fund manager uses public limelight to draw attention to a fund as an opportunity for investment. Finally, some activism may be privately optimal for a particular fund manager. Some may enjoy public visibility per se, while others may use it to prepare future careers in politics or public administration (Woidtke, 1992).

3. THE SWEDISH CONTEXT

We recognize that shareholder activism does not take place in an institutional vacuum. The costs and benefits of activism are shaped by local institutions. Sweden is a civil law country, but the corporate governance model is regarded as different from that of Continental Europe in general. The Swedish model incorporates certain features of Anglo-Saxon traditions, for example transparency and disclosure requirements (Söderström, Berglöf, Holmström, Högfelt and Meyersson Milgrom, 2003). It also differs from Continental Europe by the possibilities to exercise control on a limited capital stake (Henreksen and Jakobsson, 2005). Carlsson (2007) points to mandatory co-determination, a high level of privately held shares, strong spheres (business groups), non-executive boards and the unique design of nomination committees as

[1] The costs of activism are determined by factors such as the opportunity cost of share ownership, analysis costs, management time, possible reprisals by the incumbent management, legal uncertainty (possible liability for insider trading, cornering the market, etc.), number of shareholders to be contacted, their identity and association with the firm and the level of engagement intended. The benefits of activism are determined by factors such as the shareholder's investment and expected holding period, the volatility of the stock, general economic uncertainty.

special features of the Swedish model. The divergence from other models is also demonstrated by comparatively strong protection of minority investors (Djankov, La Porta, Lopez-de-Silanes and Shleifer, 2008; La Porta, Lopez-de-Silanes, Shleifer and Vishny, 1998), and a shareholder power "that only the most daring corporate governance initiatives in the rest of the world could even imagine" (Lau Hansen, 2006:69).

The importance of shareholder democracy can be seen in several ways. Shareholder proposals are for example not restricted by any requirements on holding size as in most other countries.[2] This feature motivates large shareholders to vote their stakes in order to avoid small shareholders using the opportunity to propose and vote on resolutions that are not in the larger shareholders' interest.

Furthermore, proxy voting in blanco or in advance is not allowed (Baums, 1997). This means that shareholders must physically attend meetings or have a representative vote their shares (thus the representative can be considered a proxy). This setup, combined with an unrestricted right to make proposals, provides strong incentives for both large and small shareholders to attend shareholder meetings. A high level of transparency further empowers small shareholders and facilitates opportunities to form coalitions. Ownership structures of listed firms are public and comprise all shareholders holding more than 500 shares in an individual firm. Moreover, voting is always open so that all shareholders know how other shareholders vote.

Swedish shareholder democracy has come about despite, and as a countervailing force to, significant ownership by influential families (for instance the Wallenberg family) and business groups. Such structures have allowed power and control to be securely held by incumbent blockholders, often with the help of dual class shares and pyramids (Isaksson and Skog, 1993). Despite the fact that many firms are still controlled by a few shareholders with active monitoring strategies, Sweden harbors even more firms with some degree of dispersed ownership (already in the 1980's, when control structures were stronger, dispersed ownership existed among the 25 largest firms according to Berglöf, 1994). The contemporary ownership concentration is intermediate in the sense that the largest shareholder, in the majority of the listed firms, owns between 5 % and 50 % of the voting rights. In these firms, there is no majority shareholder, meaning that the probability that a coalition of small shareholders can win a vote is positive, yet there is at least one relatively large shareholder with the incentive and power to pursue its own interests. In our sample, the largest shareholder has an average voting stake of 21.88 %, and there are 7.89 shareholders on average with a holding larger than 1 % of the total voting rights in each firm. This degree of concentration is relatively low compared to Continental Europe (Barca and Becht, 2002). Given the restrictions imposed by our sample procedure, the average voting stake

[2] The European Union has adopted a directive on the certain rights of shareholders in listed companies, which all member states are required to follow by December 2009. This Directive 2007/36/EC includes the right to make proposals and specifies that any threshold required for the exercise of these rights should not exceed 5 % of the company's share capital.

of the largest shareholder is of course below the average for all listed firms in Sweden, which is 37.7 % according to Agnblad, Berglöf, Högfeldt and Svancar (2002).

Being a country with strong social democratic traditions, Sweden is famous for negotiated compromises between big business, labor and government (Angblad et al., 2002; Högfeldt, 2005). This consensus principle, in combination with strong protection of small shareholders and opportunities for minorities to raise their voice at the annual general meeting, creates scope for activism. The incentives for large shareholders to go along with this are to provide social legitimacy, preempt political intervention and unrest, retain pension fund investors, etc. (Agnblad et al., 2002).

The Swedish context has also produced another important local institution: a strong association of minority owners. The Swedish Shareholders' Association comprises private, individual shareholders and aims to defend minority shareholders' rights, keep track of matters concerning individual share ownership, attend annual shareholder meetings on behalf of members, offer legal advice to members and conduct lobbyism.

Because of the tradition for consensus-seeking, protection of minorities and importance of social legitimacy for controlling owners, the shareholder association has been remarkably successful. It was a major player when shareholders in Volvo rallied to reject a proposed merger with Renault in 1993. More recently, hedge funds orchestrated Old Mutual's hostile bid for the Swedish insurance company Skandia, while the shareholder association decided to campaign against the bid and call for the resignation of the three board members supporting the bid. The association is also responsible for designing the unique shareholder based nomination committee; a setup that further strengthens the power of small shareholders.

As mentioned, ownership concentration is higher in Sweden than in Anglo-Saxon countries. The obvious implication is that there will be little shareholder activism in Sweden compared to the US or UK, and we do in fact observe remarkably low rates of activity when activism exercised by the nomination committee is not considered. For example, in more than three quarters of all Swedish firms, no (zero) proposals have been made by shareholders outside the board and the nomination committee. However, the nomination committee has a unique design that facilitates shareholder participation; it is independent of the board and made up entirely of shareholders (except that the chairman of the board is invited to participate for informational reasons), elected by shareholders at the annual meeting and is charged with board evaluation and making proposals to the shareholders meeting (Carlsson, 2007). This setup stimulates shareholder participation and co-operation, lowers collective action problems and increases shareholder power over management. Although the committee has special tasks, its proposals are in principle no different from the proposals shareholders can make outside the nomination committee. Shareholders in the committee are responsible for proposals concerning board election, board remuneration, election of auditor, auditor fees and proposals for members of the nomination committee itself. Thus, the committee addresses a large number of shareholder concerns.

While large shareholders generally have a dominating position in the nomination committee, the rationale for electing the committee at the annual general meeting is precisely to give small shareholders a say (large shareholders could easily meet in private if they desired). Since the committee usually is dominated by large shareholders, a say is not the same as exercising control, but it does imply that small shareholder interests are voiced. The Swedish Shareholder Association, which represents small investors, is granted a seat on behalf of these small shareholders in several firms, and the committee is thus intended as a forum for shareholders to employ the consensus principle. Nothing hinders the committee from also discussing other issues than those formally required. This might lead to an important substitution effect: as the nomination committee reduces costs of activism and lowers collective action problems, shareholders might find it more favorable to use this forum than to engage in individual activist efforts.

4. HYPOTHESES

Our first hypothesis is that investor activism, all else equal, is more likely when it can influence the voting outcome. In firms with dispersed ownership, firms where minority shareholders wish to challenge a large shareholder or firms where several large shareholders compete for power, activism becomes a matter of collecting support and forming coalitions. If a controlling coalition of shareholders cannot be formed without the largest shareholder, activism in the above sense is useless without the consent of this shareholder. To a large extent, the efficacy of shareholder activism is therefore determined by the ownership structure in place at the time of the shareholder meeting. To measure whether a firm is amenable to shareholder activism, we need an explicit model of the relation between ownership structure and influence.

Based on earlier work in political game theory (Banzhaf, 1965; Shapley and Shubik, 1954), we propose a measure of the largest shareholder's sensitivity to increased participation by small shareholders as a proxy variable that balances the considerations of costs and benefits. If this sensitivity is high, the contestability of the largest shareholder's power is high, and the expected costs of maintaining a controlling coalition are high (because the number of shareholders to cooperate and agree with is larger, and because their identity and association with the firm are likely to vary more) at the same time as the expected benefits are low (more coalition members to share the benefits with). On the other hand, if sensitivity is low, the expected costs are low and the expected benefits are high. We thus expect shareholders to free-ride when sensitivity is low and to be active when sensitivity is high. This leads to hypothesis 1.

Hypothesis 1. There is a positive relationship between shareholder activism and firm amenability.

However, shareholder activism does not take place in an institutional vacuum. In particular, boards and shareholders both want to influence the agenda at the shareholder meeting, while having a common interest to avoid making proposals when the costs exceeds the expected benefits (Grossman and Hart, 1980; Pozen, 1994; Shleifer and Vishny, 1986). Technically, this implies that the two parties are playing a chicken game (Rapoport and Chammah 1966; Schelling, 1960) in which both parties have preferences for certain proposals but want to avoid head-on confrontation when there is a low chance of success.
Previous research has found that overt meeting activity may be reduced by pre-meeting preparation (Catasús and Johed, 2007; Roberts, Sanderson, Barker and Hendry, 2006; Yermack, 2009). The board may take shareholder concerns expressed during private negotiations into consideration when making proposals and, thus, preempt shareholder activity. Vice versa, shareholders may increase their expected chance of success by using the nomination committee as a forum to organize, resulting in an unprofitable balance between costs and benefits for the board to make proposals.

Moreover, legal constraints dictate that certain mandatory proposals must be made by the board if not by the shareholders via the nomination committee. This leads to our second hypothesis.

Hypothesis 2. Board proposals will be negatively associated with shareholder proposals.

Finally, the costs and benefits of shareholder activism will vary with the identity of shareholders (Cronqvist and Fahlenbrach, 2009; Gordon and Pound, 1993; Maug, 1998). Institutional investors face difficulties when investments grow and spread across a multitude of industries and markets; it becomes more difficult to find resources and stay sufficiently informed to participate in firm specific decisions (Graves and Waddock, 1990; Parthiban and Rahul, 1996). We expect these problems to be compounded for foreign investors. Theoretically, this is consistent with the liability of foreignness (Zaheer, 1995) emphasized in the international business literature. Here, information constraints and a lack of access to host country networks (Johanson and Vahlne, 1977) are regarded as the liability of foreignness that makes foreign shareholders more likely to remain passive, which is becoming more difficult because of regulation trends, or to rely on overt activism. Either way, activism should be higher in firms where the largest shareholder is a foreigner. Aside the obvious case of active foreign shareholders, activism should also be higher when foreign shareholders are passive, because it increases the likelihood of smaller shareholders' successful intervention.

A number of reasons make foreign shareholders more likely to rely on overt activism. Domestic shareholders may find it easier to use other formal or informal channels of communication (such as informal contacts or membership of the nomination committee) and hence rely less on overt shareholder activism. Overt shareholder activity is also likely to be lower in consensus-seeking societies. Consensus-seeking may be a result of culture, as it appears to be the case in Japan, where discussions at the annual general meetings are kept at minimum (Charkham, 2005). It may also be a function of political sensitivity, as it will be the case in government and labor union pension funds (Woidtke, 2002). In both cases, foreign investors will be less subject to local institutional constraints and may therefore be more likely to voice their concerns publicly. This leads to our third hypothesis.

Hypothesis 3. Shareholder activism will be more likely in firms where foreign ownership is high than in firms where foreign ownership is low.

5. DATA AND METHODS

5.1 Sample

We collect data from Sweden because of the transparency in information on both ownership and activism. As mentioned, information on ownership structures is public, which not only facilitates research, but also improve shareholders' opportunities to form coalitions. Data on activism such as minutes from annual shareholder meetings is fairly accessible even for non-shareholders due to a tradition for openness. Sweden is also a suitable country because of the intermediate degree of ownership concentration, cf. above. Dispersed ownership tends to discourage activism because of collective action problems, while high ownership concentration implies that decisions are effectively made by the incumbent blockholders, which also (consistent with our hypothesis) deters activism.

We select among all firms listed at the OMX Nordic Exchange Stockholm (formerly Stockholm Stock Exchange) for each year from 2005 to 2008, which gives us a universe of 1,179 firm-year observations. We exclude firms that have a single owner with a holding larger than 50 % of the votes, because coalitions are in vain in these firms and the majority owners are not amenable to activism in the abovementioned sense. The sample is reduced by 217 observations on this account and by another 8 observations because of voting restrictions. We do not exclude firms with dual class shares or other control enhancing mechanisms, because the amenability measure is calculated using voting rights and not cash flow rights.[3] It is however reasonable to expect that control is more locked-in in firms with dual class shares, and that activism is consequently lower.[4] Using a dummy variable to control for dual class shares (present in more than 40 % of the sample firms) does not change our results (not tabulated). We consider families and corporate spheres as single units and thus include or exclude firms based on the families' or spheres'

[3] Dual class shares and other control enhancing mechanism create a wedge between voting rights and cash flow rights that renders cash flow rights unreliable in an analysis of power and influence.
[4] The dummy variable has a significant impact on shareholder proposals but not on negative influence and voice.

aggregated holdings.[5] In 2005, there was a change of auditing regulation in Sweden. In order to have comparable data, this year sets the limit for the time period covered. Data on shareholdings (voting rights) equal to or above 1 % are obtained from the yearly published ownership statistics book “Owners and Power”.

Since shareholdings shift from one year to the next, and shareholders also have the opportunity to exercise activism in the same firm each year, we do not count the number of firms but rather the number of chances for shareholders to exercise activism. Given that the same firm is listed over all four years and has no shareholder holding more than 50 % of the votes, the firm will therefore be included in the sample four times. This procedure gives an unbalanced panel of 954 observations. The number of unique firms is 310. Data on shareholder activism is obtained from the minutes for each year’s annual meetings. The minutes are collected from firm websites, participant observations at the annual meetings or by requests sent to the firms. Not all minutes are available, since firms have been acquired, merged, liquidated or exited the stock exchange for other reasons. Some firms refused access to their minutes or did not respond to our request. The sample is reduced by 417 observations on this account.

Firm level accounting data and stock prices are obtained from Thomson ONE Banker’s Worldscope database and Datastream. The sample is reduced by another 76 observations due to limited coverage of firms or accounting variables. In total, we are left with 461 firm-year observations. Since extracting a balanced panel is not advised, because doing so leads to a substantial loss of econometric efficiency, we addressed this concern by comparing balanced and unbalanced estimates (not tabulated). Our results were not qualitatively sensitive to this, and we therefore conclude that there is not a serious selection bias in our data.

One issue warrants further commenting before moving on to describing the variables. Ownership data is only available at year end; it is thus registered prior to the shareholder meeting, which tends to be held early in spring. It is possible that ownership changes in the intermediate period, but, considering the stability of ownership in Sweden, this risk is limited. We find the within firm variation in the number of large shareholders to be modest: the average change is only 0.76 and the average change in the ownership stake of these blocks is only 0.86 %.

5.2 Variables

In the following two sections we describe our set of variables, which comprise the amenability measure, four activism variables and six control variables.

---

[5] For the definition of families and corporate spheres, we follow the division made by SIS Ägarservice. SIS is a firm that specializes in collecting and reporting ownership data for Swedish listed firms. A sphere is simply a business group.

Amenability to shareholder activism. We measure a company's amenability to shareholder activism by the sensitivity of the largest shareholder's voting power to increased participation by small (1 %) shareholders. Voting power we measure by a normalized Banzhaf index:

$$\phi_i = \frac{1}{2^{n-1}} \sum_{S \subseteq N, i \in S} \left[v(S) - v(S \setminus \{i\}) \right]. \tag{1}$$

We can say that shareholder i is pivotal for a particular coalition S if i's leaving this coalition turns it from a winning to a non-winning one in decisions that require a simple majority. The Banzhaf index for shareholder i can then be interpreted as the proportion among all possible coalitions (2^n) for which shareholder i is pivotal. To illustrate, assume there are three shareholders, A, B and C, which share the voting rights in a firm by 45 %, 35 %, and 20 %. It seems unlikely that the distribution of power coincides with the distribution of votes when binary decisions are made by a simple majority. A quick assessment might suggest that shareholder C is the least powerful. But consider the four possible ways in which a decision can be made. Since it takes a simple majority of the votes to make a decision, shareholder A and B can vote together (80 %), shareholder A can vote with shareholder C (65 %), shareholder B can vote with shareholder C (55 %), or they can vote unanimously (100 %). Shareholder C is a member of as many winning coalitions as shareholder A and B, respectively. If we consider only the three coalitions without a redundant member, we see that, because of the character of this voting system, any two of the shareholders can decide on a proposal. Even though shareholder C has fewer votes, she has as much influence over outcomes as the other shareholders. The power index of each shareholder equals 1/3.

At a shareholder meeting, for the decision-making process to be representative and democratic, it is important that as many votes as possible are represented. In the above example we implicitly assumed that all three shareholders always cast all their votes. However, because of free-rider problems, it is likely that some small shareholders decide not to vote. To capture this effect, we start out by assuming that only large shareholders (more than 1 % of the voting rights) participate in the decision-making process and calculate the largest shareholder's Banzhaf voting power. We then add one small shareholder, assumed to own one percent of the voting rights, to the decision-making process and re-calculate the voting power of the largest shareholder, and we continue to do this until the joint votes of all shareholders add up to one hundred percent. We use Dubey and Shapley (1979) to adjust the majority rule. Accordingly, the majority rule with n participating shareholders is

$$Q - \frac{1 - \sum_{i=1}^{n} w_i}{2}. \tag{2}$$

This is the basis on which we classify firms as amendable to activism or not: if there is a positive effect of adding more shareholders to the decision-making process, that is to say if there is a decrease in the largest shareholder's voting power, we classify a firm as amendable to activism; if there is no effect, it is not. We also refer to this as the largest shareholder's sensitivity to increased participation by small shareholders.

Alternative measures such as Gini coefficients, coefficients of variation or Herfindahl indices could also be considered, but they contain more information about the differences in ownership than the competition for control, which we consider more appropriate given our focus on the scope for small shareholder activism. Moreover, the game theoretic concept of power indices is an explicit model of the relation between ownership structure and influence. Although we argue that the Banzhaf index is more fitting to our analysis, the alternative Shapley-Shubik index could serve as a robustness check. Using this index, we find the average decrease in voting power to be some 50 basis points larger, i.e. slightly more sensitive to increased participation by small shareholders. As a regressor, it behaves like the Banzhaf index in terms of direction, but its impact is weaker and smaller (not tabulated).

Shareholder activism. We collect data following the definition of shareholder activism by Gillan and Starks (1998) as an attempt by shareholders to bring about change without changing the formal control structure of the firm. Activism thus includes shareholder proposals, voting behavior and expressed opinions, which shareholders have requested to be taken to the minutes. This definition expands the most common approaches in previous research, where activism is defined as consisting of only shareholder proposals and/or voting behavior (see Gillan and Starks, 1998 for an overview of previous studies). Our data allows us to construct four different measures of shareholder activism covering the three categories. On a general note, minutes are coded including all items on the agenda proposed by either the board or shareholders. We have included everything except the first issue of electing a chairman of the meeting, as this is not a proposal but a routine.

The first activism measure is the number of proposals made by the nomination committee given that the committee consists entirely of shareholders. The second measure is the number of proposals made by other shareholders than those included in the nomination committee. These two measures belong to the category "shareholder proposals". We have made this distinction between shareholders, because proposals that shareholders make as part of the nomination committee are formal in the sense that by being part of the committee they are already committed to making these proposals. On the other hand, the "other shareholders" group makes proposals on its own initiative.[6]

[6] Others can be families, minority shareholders, institutions that are not part of the nomination committee, Shareholder Associations, other "activist groups" like Amnesty, employee representatives, institutions that are part of the nomination committee but concerning proposals that are not made by the committee but by the individual institution on its own initiative, etc.

The third measure is the number of board proposals voted against. In some cases the number of board proposals voted against is larger than the number of proposals made by the board. This is because this category includes instances when shareholders vote against exemption from liability for the board or other items on the agenda, which are required by the lawmaker. Items required by law are not included as proposals simply because no one proposes them, but if shareholders vote against, we consider it activism. This measure belongs to the category "voting pattern".

Finally, the fourth measure is a dummy variable equal to 1 if any shareholder (one or more) express opinions that are taken to the minutes and 0 otherwise (opinions have previously been used by Nordén and Strand, 2009 in the Swedish context). Questions are not considered as opinions. This measure belongs to the category "expressed opinions". The distinction between opinions and questions is made based on Hirschman's (1971:33) definition of voice: *"voice has the function of alerting a firm or organization to its failings"* and further that *"voice is not exit but must include time for management to recuperate efficiency"*. More specifically, we define expressed opinions as comments that include a clear standpoint on behalf of the speaking institution ("we think", "our view is", "according to our policies", "we request", etc.), include a complaint or is raised in outspoken dissatisfaction, or refer to complaints raised at previous annual general meetings, during private negotiations or requests for change sent by letter to the board or the management prior to the meeting, i.e. an address of recuperation following previous voice activities.

5.3 Control variables

In line with previous research on shareholder activism we employ three sets of control variables. The first set contains three variables related to firm performance: stock return, defined as the annual dividend-adjusted stock return in the year prior to the shareholder meeting, return on equity, defined as net income after tax divided by shareholder equity and finally the interaction between amenability and stock return. Poor performance may signal that management replacement or strategy change is desirable and spur shareholders to action (Jensen 1989a, 1989b; Pozen, 1994). In contrast, shareholders may be more passive in well-performing firms. However, the empirical evidence is mixed. Some studies find that stock returns predict activism (Opler and Sokobin, 1995; Strickland, Wiles and Zenner, 1996), others find no significant performance effect (Carleton et al., 1998; Karpoff, Malatesta and Walkling, 1996; Smith, 1996), while some studies on accounting data indicate that bad performance spurs activism (Bizjak and Marquette, 1998; Gillan, Martin, and Kensinger, 2000; Johnson and Shackell, 1997; Karpoff et al., 1999). Finally, some studies find no significant relation between firm value and activism (Johnson and Shackell, 1997; Smith, 1996; Strickland et al., 1996). We would expect an interaction effect between amenability and firm performance, *ceteris paribus*, since shareholders are more likely to be active when there is a perceived need for it (low performance) combined with a power structure that allows shareholders to influence the firm (sensitivity is high). In other words, the negative performance effect on shareholder activism could be stronger in firms amenable to activism.

Our second set contains two control variables related to the value of control: firm size, defined as the natural logarithm of total assets, and firm value, defined as the market value of equity plus book value of total debt all divided by total assets. If firms are more valuable, shareholders will have more at stake for given levels of ownership, and we would expect them to be more active in protecting their investment. Larger firms also attract more attention, which is an important factor for the decision to exercise activism, especially among institutional investors (Nordén and Strand, 2009). Investors that manage capital on behalf of others are players in competitive markets and thus have a need to market their organizations as well as seek social and political legitimacy in order to survive (Mizruchi and Fein, 1999). The latter might be especially true in countries such as the Scandinavian, where shareholder value is not always regarded as an overriding goal of firms (Sinani et al., 2008). Murphy and Van Nuys (1994) discuss personal benefits from engaging in activism without focusing on improvement of firm performance, while Romano (1993) argues that activism sometimes reflects the ambition to achieve goals driven by social or political objectives.

Our last control variable is leverage, defined as the book value of total debt divided by total assets. There may be a substitution between monitoring by shareholders and by creditors (Jensen, 1989a, 1989b). The relative strength of creditors in the decision-making process depends on the relative amount of debt in a firm. Creditor monitoring is higher in firms with more debt. We would thus expect shareholders to have weaker incentives and be less active when debt is high.

5.4 Descriptive Statistics

Table 1 presents descriptive statistics for a 4-year panel over the years 2005 – 2008. Our shareholder activism measures are count variables except for the opinions expressed dummy. The average number of proposals by the nomination committee at annual general meetings is 3.72. In contrast, the average number of proposals by other shareholders is only 0.25. In fact, other shareholders have only made proposals at some 33 meetings. Shareholder activism defined in this way is virtually absent in Sweden, which according to our theory framework may be attributed to ownership concentration, perhaps aggravated by control enhancing mechanisms, and to the existence of nomination committees as an alternative vehicle.

However, shareholders have negative influence. The average number of board proposals voted against is 0.65, which is quite high given that the average number of proposals made by the board is 4.17. 1 out of 6 proposals is voted against although rarely voted down. The number of shareholder proposals voted against is 0.20 (not reported in the table), which is remarkably high considering that the average number of shareholder proposals is 0.25. This resistance may be an important reason for the paucity of initiatives from other shareholders. Finally, in every third meeting (35.9 %), one or more shareholders expressed opinions that were taken to the minutes. Over time, voting against has become more common (as has expressed opinions), but from a very low level. In short, the board and the nomination committee are about equally active in making proposals, but few other shareholders bother. Not infrequently though, they vote against the board.

Variable	Mean	Std. dev.	Q1	Median	Q3
1. Nomination committee	3.72	1.74	3.00	4.00	5.00
2. Other shareholders	0.25	0.78	0.00	0.00	0.00
3. Proposals voted against	0.65	1.17	0.00	0.00	1.00
4. Opinions expressed	0.36	0.48	0.00	0.00	1.00
5. Amenability	0.98	0.69	0.19	1.14	1.43
6. Board proposals	4.17	2.20	3.00	4.00	5.00
7. Foreigner	0.12	0.33	0.00	0.00	0.00
8. Stock return	0.22	0.60	-0.13	0.16	0.40
9. Return on equity	0.09	0.36	0.04	0.15	0.25
10. Firm size	6.14	2.20	4.54	5.85	7.66
11. Firm value	2.29	2.13	1.51	1.91	2.38
12. Leverage	0.20	0.18	0.04	0.16	0.32

Table 1: Descriptive Statistics. This table presents descriptive statistics for a 4-year panel over the period from 2005 to 2008 of Swedish firms for which we have collected shareholder activism data. Nomination committee is the number of proposals made by the nomination committee. Other shareholders is the number of proposals made by other shareholders than those who are members of the nomination committee. Proposals voted against is the number of board proposals voted against. Opinions expressed is a dummy variable equal to 1 if any shareholder expressed opinions that were taken to the minutes and 0 otherwise. Amenability is the average percentage decrease in the largest shareholder's voting power when one more shareholder successively is added to the decision-making process. Board proposals is the number of proposals made by the board. Foreigner is a dummy variable equal to 1 if the largest shareholder is a foreigner and 0 otherwise. Stock return is the dividend-adjusted stock return in the year prior to the shareholder meeting. Return on equity is the book return on equity in the year prior to the shareholder meeting. Firm size is the natural logarithm of the book value of total assets in the year of the shareholder meeting. Firm value is the market value of equity plus the book value of total debt all divided by the book value of total assets in the year of the shareholder meeting. Leverage is the book value of total debt divided by the book value of total assets also in the year of the shareholder meeting.

As previously mentioned, our amenability measure, the largest shareholder's sensitivity to increased participation by small shareholders, is calculated as the average percentage decrease in the largest shareholder's voting power when an additional 1 % votes is added to the decision-making process. A relatively high numerical value indicates that a firm is relatively amenable to activism. On average, the largest shareholder looses less than 1 % and in 25 % of our cases less than 0.2 % (average voting power is 0.45). At the other end of the distribution, the largest shareholder's probability of winning a vote is reduced by 1.4 % by entry of a new 1 % shareholder, so rallying shareholders has more of an effect on the expected outcome. For some firms, it is as high as 4 %, whereas for other firms it is approximately zero despite the fact that we have only included firms with large minority shareholders. To capture the effect of shareholder identity, we include a dummy variable equal to 1 if the largest shareholder is foreign and 0 otherwise. 12 % of our observations are characterized by foreign ownership defined in this way. Another dummy variable for strategic ownership (to capture the effects of association within a business group or "sphere") turned out not to have any significant effect, so we deleted it from the variable list.

Among the control variables, annual dividend-adjusted stock return is 21.6 % on average, while the average return on equity is 9.3 %. In 25 % of our cases, stock return is negative. Firm value, measured as the market value of equity plus the book value of total debt all divided by total assets, is relatively high on average (2.29), whereas as the average leverage ratio, measured as the book value of total debt divided by total assets, is relatively low at 0.19.

Table 2 (see appendix) reports the bi-variate correlation matrix of the independent variables. We observe that neither the dependent nor the independent variables are highly correlated, so multicollinearity appears not to be much of a problem. There are significant negative associations between our activism measures, which we interpret as evidence of substitution effects: if the board is more active in making proposals, the nomination committee is less active and so are the other shareholders. There also appears to be limited correlation between dependent and independent variables, which indicates that our explanatory variables provide at best a partial explanation of activism at shareholder meetings. The single strongest activism driver appears to be firm size.

	With interaction		Without interaction	
Variable	VIF	1/VIF	VIF	1/VIF
1. Amenability	1.27	0.79	1.08	0.93
2. Board proposals	1.14	0.88	1.14	0.88
3. Foreigner	1.05	0.95	1.05	0.95
4. Interaction (1,5)	4.08	0.25		
5. Stock return	4.14	0.24	1.29	0.78
6. Return on equity	1.23	0.82	1.22	0.82
7. Firm size	1.44	0.70	1.43	0.70
8. Firm value	1.08	0.92	1.08	0.92
9. Leverage	1.27	0.79	1.27	0.79

Table 3: Variance inflation factors

To check for multicollinearity between the regressors, Table 3 reports the variance inflation factors. The table indicates that there are no apparent estimation problems. Our scores are well below 10, but stock return and the interaction between amenability and stock return are above 2, which according to Belsley, Kuh and Roy (2004) could produce misleading results. If we drop the interaction, all scores are below 2, and our results are practically unchanged (compare model 2 and 3 and 4 and 5, respectively, in tables 4 and 5, respectively), indicating that multicollinearity is not a problem.

5.5 Statistical methods

To identify whether firms that are amenable to activism are actually targeted, we estimate three regression models with the different measures of shareholder activism as dependent variables. We use population-averaged Poisson models, because the dependent variable is a count variable. We do not use firm fixed effects models, because our amenability measure is a function of ownership structure, which is stable over time and therefore co-varies with the fixed firm effect. For this particular reason, a number of recent papers question the use of fixed firm effects.[7] We choose population-averaged models rather than random effects models, because population-averaged models allow us to explicitly model the correlation structure and produce robust standard errors by clustering standard errors by firm.[8] A model for correlation is especially important when observations are unbalanced and mistimed, as it is the case with our data set. Considering the repeated measures over time, we use an auto-regressive correlation structure with one lag. In addition, we scale standard errors to account for the over-dispersion caused by the many zero-observations.

Since the time-invariant characteristic of the amenability measure in effect leaves us with a cross-section, we can test the robustness of the population-averaged models by running pooled OLS regressions. Doing this does not change our results (not tabulated).

6. RESULTS

Table 4 contains our first set of regression results. In the first set of models (1, 2 and 3), the dependent variable is the number of proposals made by the nomination committee, while the second set of models (4, 5 and 6) estimates determinants of proposals by other shareholders. The three models in each set differ in terms of the number of variables included. Models 1 and 4 do not include the identity of the largest shareholder (foreigner or not) and the interaction between

[7] The importance of firm fixed effects in empirical studies concerned with ownership structure was emphasized by Himmelberg, Hubbard and Palia (1999). This methodology has later been questioned by Zhou (2001), Thomsen, Pedersen and Kvist (2006), Cronqvist and Fahlenbrach (2009) and Benson and Davidson (2009) among others. These papers emphasize cross-sectional features of ownership that renders firm fixed effects questionable.

[8] Estimating standard errors in the presence of a fixed, unobserved firm effect, Petersen (2009:9 and 41) finds that "clustered standard errors correctly account for the dependence in the data common in a panel data set and produce unbiased estimates. […] The standard errors clustered by firm are unbiased and produce correctly sized confidence intervals whether the firm effect is permanent or temporary. The fixed effect and random effects model also produces unbiased standard errors but only when the firm effect is permanent."

amenability and stock return. Models 2 and 5 do not include the interaction, whereas models 3 and 6 include all variables.

	Nomination committee			Other shareholders		
Variable	1	2	3	4	5	6
1. Amenability	0.13***	0.12***	0.13***	-0.47**	-0.50***	-0.67***
	(3.94)	(3.79)	(3.90)	(-3.24)	(-3.51)	(-4.31)
2. Board proposals	-0.08***	-0.09***	-0.09***	-0.20**	-0.21**	-0.20**
	(-4.66)	(-4.71)	(-4.72)	(-3.29)	(-3.43)	(-3.18)
3. Foreigner		0.09*	0.09†		0.59*	0.59*
		(1.97)	(1.96)		(2.58)	(2.59)
4. Interaction (1,5)			-0.03			0.42**
			(-0.42)			(2.83)
5. Stock return	-0.01	-0.01	0.02	0.54***	0.55***	0.06
	(-0.29)	(-0.25)	(0.27)	(4.29)	(4.41)	(0.25)
6. Return on equity	0.02*	0.00*	0.00*	-0.01†	-0.00†	-0.01†
	(2.11)	(2.15)	(2.17)	(-1.75)	(-1.76)	(-1.81)
7. Firm size	0.09***	0.08***	0.08***	0.19***	0.16**	0.15**
	(7.16)	(6.99)	(6.99)	(3.84)	(3.16)	(2.98)
8. Firm value	-0.05†	-0.05†	-0.05†	-0.00	0.00	-0.00
	(-1.89)	(-1.87)	(-1.90)	(-0.01)	(0.01)	(-0.07)
9. Leverage	-0.49**	-0.48**	-0.48**	-2.80***	-2.67***	-2.96***
	(-3.13)	(-3.08)	(-3.10)	(-3.96)	(-3.76)	(-4.06)
$\chi2$	64.65***	69.68***	69.94***	75.63***	83.59***	90.64***

† $p < 0.10$; * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$

Table 4: Determinants of shareholder proposals. Population-averaged Poisson models. We use an auto regressive correlation structure with one lag and scale standard errors to account for the over-dispersion caused by the many zero-observations. Standard errors are robust. T-statistics are reported in parentheses. The panel has 461 firm-year observations and 158 unique firms. Year dummies and a constant are included but not reported. Nomination committee is the number of proposals made by the nomination committee. Other shareholders is the number of proposals made by other shareholders than those who are members of the nomination committee. Amenability is the average percentage decrease in the largest shareholder's voting power when one more shareholder successively is added to the decision-making process. Board proposals is the number of proposals made by the board. Foreigner is a dummy variable equal to 1 if the largest shareholder is a foreigner and 0 otherwise. Stock return is the dividend-adjusted stock return in the year prior to the shareholder meeting. Return on equity is the book return on equity in the year prior to the shareholder meeting. Firm size is the natural logarithm of the book value of total assets in the year of the shareholder meeting. Firm value is the market value of equity plus the book value of total debt all divided by the book value of total assets in the year of the shareholder meeting. Leverage is the book value of total debt divided by the book value of total assets also in the year of the shareholder meeting.

First, we examine the number of proposals made by the nomination committee. Our amenability measure, the average decrease in the largest shareholder's voting power by mobilizing an additional 1 % votes, has the expected positive effect on the number of proposals made by the nomination committee, and it is highly significant (model 1: t=3.94, p<0.001; model 2: t=3.79, p<0.001; model 3: t=3.90, p<0.001). This result lends support to hypothesis 1. We also observe the expected negative effect of board proposals, indicating a substitution between board and nomination committee proposals (model 1: t=-4.66, p<0.001; model 2: t=-4.71, p<0.001; model

3: t=-4.72, p<0.001). This result lends support to hypothesis 2. Finally, the nomination committee makes more proposals in firms with significant foreign ownership (model 2: t=1.97, p<0.05; model 3: t=1.96, p<0.10), indicating that foreign owners are more likely to prefer overt activism to exerting their influence informally behind the scenes. This result lends support to hypothesis 3.

Among the control variables, firm size and leverage come out as expected. The nomination committee makes more proposals in larger firms (model 1: t=7.16, p<0.001; model 2: t=6.99, p<0.001; model 3: t=6.99, p<0.001) and fewer proposals in leveraged firms (model 1: t=-3.13, p<0.01; model 2: t=-3.08, p<0.01; model 3: t=-3.10, p<0.01), where banks and other creditors may exert significant informal influence. The nomination committee is less active in firms with lower value (model 1: t=-1.89, p<0.10; model 2: t=-1.87, p<0.10; model 3: t=-1.90, p<0.10), which is in accordance with our expectation, but it is more active in firms with higher accounting returns (model 1: t=2.11, p<0.05; model 2: t=2.15, p<0.05; model 3: t=2.17, p<0.05), which is contrary to our expectation. The other control variables turn out not to be significant. For example, the nomination committee is no more active in firms with low stock market performance.

Secondly, we examine the number of proposals made by other shareholders. Contrary to our initial expectation, amenability is significantly negatively related to the number of proposals made by other shareholders (model 4: t=-3.24, p<0.01; model 5: t=-3.51, p<0.001; model 6: t=-4.31, p<0.001). This result does not lend support to hypothesis 1. We conjecture that this result reflects the substitution effect identified in the section on nomination committees. Proposals by the board and the nomination committee preempt activity by other shareholders. In other words, if minority shareholders have influence, they will tend to use it in the nomination committee rather than engaging in overt activism. If they have no chance of influence, they may make a symbolic appearance to enjoy their 15 minutes of fame, or to use the limelight to exert social pressure on incumbent owners and other firms.

In contrast, hypotheses 2 and 3 are supported. If the board is active, shareholders are less likely to be so (model 4: t=-3.29, p<0.01; model 5: t=-3.43, p<0.01; model 6: t=-3.18, p<0.01). There are more shareholder proposals by firms with strong foreign ownership (model 5: t=2.58, p<0.05; model 6: t=2.59, p<0.05), perhaps because foreign owners are less likely to engage in behind the scenes horse trading. As for the control variables, firm size (model 4: t=3.84, p<0.001; model 5: t=3.16, p<0.01; model 6: t=2.98, p<0.01) and leverage (model 4: t=-3.96, p<0.001; model 5: t=-3.76, p<0.001; model 6: t=-4.06, p<0.001) are significant as in the previous models, and accounting returns now have the expected negative effect (model 4: t=-1.75, p<0.1; model 5: t=-1.76, p<0.1; model 6: t=-1.81, p<0.1), indicating that shareholders are less likely to make proposals when the firm is performing well. However, we find a contrary effect of stock market performance: shareholders are more rather than less likely to make proposals when stock returns are high (model 4: t=4.29, p<0.001; model 5: t=4.41, p<0.001; not significant for model 6). We speculate that, having controlled for accounting performance, high stock returns may signal exceptional interest in the firm.

Table 5 contains our results on the determinants of negative influence (board proposals voted against: models 1, 2 and 3) and shareholders voicing opinions (models 4, 5 and 6). Apart from different dependent variables, the setup of the models is identical to that in table 4.

	Proposals voted against			Opinions expressed		
Variable	1	2	3	4	5	6
1. Amenability	-0.18	-0.21†	-0.31*	-0.09	-0.09	-0.14
	(-1.41)	(-1.69)	(-2.30)	(-0.56)	(-0.55)	(-0.82)
2. Board proposals	0.17***	0.17***	0.17***	-0.00	-0.00	0.00
	(4.88)	(4.96)	(5.07)	(-0.04)	(-0.03)	(0.03)
3. Foreigner		0.31	0.31		-0.03	-0.03
		(1.55)	(1.55)		(-0.11)	(-0.11)
4. Interaction(1,5)			0.29†			0.21
			(1.82)			(0.81)
5. Stock return	0.01	0.02	-0.35	0.23	0.23	-0.01
	(0.05)	(0.14)	(-1.41)	(1.21)	(1.21)	(-0.03)
6. Return on equity	0.00	0.00	0.00	-0.00	-0.00	-0.00
	(0.57)	(0.39)	(0.48)	(-0.53)	(-0.52)	(-0.57)
7. Firm size	0.23***	0.22***	0.22***	0.08	0.08	0.08
	(4.77)	(4.48)	(4.51)	(1.26)	(1.26)	(1.24)
8. Firm value	-0.00	-0.00	-0.00	-0.16†	-0.16†	-0.16†
	(-0.57)	(-0.58)	(-0.61)	(-1.94)	(-1.94)	(-1.89)
9. Leverage	-0.35	-0.28	-0.34	-1.19†	-1.19†	-1.22†
	(-0.68)	(-0.54)	(-0.65)	(-1.82)	(-1.82)	(-1.85)
$\chi 2$	68.38***	70.69***	74.11***	21.33*	21.34*	21.90*

† $p < 0.10$; * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$

Table 5: Determinants of negative influence and voice. Models 1 to 3 are population-averaged Poisson models, and models 4-6 are population-averaged Logit models. We use an auto regressive correlation structure with one lag and scale standard errors to account for the over-dispersion caused by the many zero-observations. Standard errors are robust. T-statistics are reported in parentheses. The panel has 461 firm-year observations and 158 unique firms. Year dummies and a constant are included but not reported. Proposals voted against is the number of board proposals voted against. Opinions expressed is a dummy variable equal to 1 if any shareholder expressed opinions that were taken to the minutes and 0 otherwise. Amenability is the average percentage decrease in the largest shareholder's voting power when one more shareholder successively is added to the decision-making process. Board proposals is the number of proposals made by the board. Foreigner is a dummy variable equal to 1 if the largest shareholder is a foreigner and 0 otherwise. Stock return is the dividend-adjusted stock return in the year prior to the shareholder meeting. Return on equity is the book return on equity in the year prior to the shareholder meeting. Firm size is the natural logarithm of the book value of total assets in the year of the shareholder meeting. Firm value is the market value of equity plus the book value of total debt all divided by the book value of total assets in the year of the shareholder meeting. Leverage is the book value of total debt divided by the book value of total assets also in the year of the shareholder meeting.

Voting against turns out to be less rather than more likely if a firm is amenable to activism (not significant for model 1; model 2: $t=-1.69$, $p<0.1$; model 3: $t=-2.30$, $p<0.05$). This result does not lend support to hypothesis 1. Again, we conjecture that shareholders use whatever influence they have to influence the nomination committee and the board. If they have little influence in these settings, they are more likely to vote against the incumbent managers and owners. Increased activity by the nomination committee and increased receptivity to shareholders by the board may make shareholders more satisfied and so less likely to vote against. Board proposals have a positive effect on voting against (model 1: $t=4.88$, $p<0.001$; model 2: $t=4.96$, $p<0.001$; model 3: $t=5.07$, $p<0.001$), but this is more of a tautological than behavioral effect: the more proposals, the more there are to vote against.

The control variables have insignificant effects with a predicted positive effect of firm size as the only exception (model 1: $t=4.77$, $p<0.001$; model 2: $t=4.48$, $p<0.001$; model 3: $t=4.51$, $p<0.001$). Controlling for ownership concentration (through the amenability measure) and firm value, firm size may be an indication of the amount invested by individual stakeholders. This would then indicate that shareholders are more likely vote against, the more they have invested in the firm.

Finally, voice (opinions expressed) is not influenced by amenability either, nor by board proposals or foreign ownership. In other words, our key hypotheses are rejected. Control variables such as stock return, return on equity and firm size do not have any significant effect. Firm value (model 4: $t=-1.94$, $p<0.1$; model 5: $t=-1.94$, $p<0.1$; model 6: $t=-1.89$, $p<0.1$) and leverage (model 4: $t=-1.82$, $p<0.10$; model 5: $t=-1.82$, $p<0.10$; model 6: $t=-1.85$, $p<0.10$) appear to co-vary negatively with voice, but the effect is weak and only significant at the 10 % level. Overall, the model fit is less good than for the previous models, which indicate that much of the voice activity is random, e.g. related to irrelevant issues such as the lunch served after the meeting, expressing political views or just making an appearance (Nordén and Strand, 2009).

7. DISCUSSION

In this paper, we have developed a new approach to the study of shareholder activism in the rational choice tradition of political science. We have shown how power indices can be applied to the study of shareholder activism and demonstrated the empirical implications of our approach on a unique dataset. We find a positive and statistically significant relationship between one key dimension of shareholder activism, nomination committee proposals, and a firm’s amenability to shareholder activity. The evidence is mixed on other measures. Our amenability measure is negatively associated with proposals by other shareholders and the number of proposals voted against. As expected, we find more activity in large firms and less activity in leveraged firms. The link with performance is tenuous and underperformance does not appear to lead to more activity.

These results are robust to using pooled OLS with clustered standard errors instead of population-averaged Poisson models, to alternative definitions of the amenability measure and to exclusion or inclusion of control variables. In some specifications, the negative effect of amenability to activism becomes insignificant, but we do not get the significant positive effects that would be expected without taking local institutions like nomination committees into account. In contrast, the substitution effect of board proposals (the more board proposals, the fewer shareholder proposals) remains significant throughout and foreign ownership also tends to lead to fewer proposals by other shareholders, regardless of specification.

We interpret these mixed results as evidence of the importance of local institutions such as the stakeholder orientation in Swedish society and the role of the shareholder elected nomination committee as a mediator of shareholder interests. We have argued that our amenability measure captures potential gains from coalition formation, but overt shareholder activism may be just one way to build coalitions. To the extent that small shareholder dissatisfaction is addressed or co-opted by the board or large shareholders, there will be less reason for them to engage in overt activism. Moreover, those who are not part of the dominating coalition will have a lower probability of successful intervention and will be less inclined to activism, because the expected benefits are lower. Overt activism may therefore be the last resort compared to other kinds of activism such as engagement with management or engagement with other shareholders. Engagement with management and other shareholders is usually unobservable (a valuable exception is Becht et al. 2009, who study the Hermes U.K. Focus Fond). These forms of activism are the easiest and least costly to persuade management to take into consideration the viewpoints of the activist shareholder. If this approach does not work, the activist shareholder may either give up or engage in costly overt activism, which can then indicates failure of informal activism.

These results are novel in the sense that we study a broader category of shareholder activism than most previous studies, which have a more partial focus on either shareholder proposals or voting outcome (Careleton et al., 1998; Del Guercio and Hawkins, 1999; Gordon and Pound, 1993; Karpoff et al., 1996). Our results are most relevant to other countries with intermediate ownership concentration. They are less relevant to countries with dispersed ownership such as US or UK, where the voting power of the largest shareholder typically is highly contestable. They are also less relevant to countries with concentrated ownership such as Italy or Austria, where the voting power of the largest shareholder is usually incontestable. However, as mentioned, our results underline the uniqueness of the institutional environment, which shapes shareholder activism as well as all other aspects of corporate governance. The role of nomination committees elected directly by shareholders and the existence of a strong association of shareholders both appear to have been crucial in shaping shareholder activism in Sweden and explaining some of our empirical results.

Obviously, many unanswered questions for future research remain. For example, including information of activism behind the scenes would be helpful in testing whether informal contacts are in fact more widely used in continental European countries like Sweden. Moreover, our study relies on archival data and needs to be supplemented by field studies to verify whether the actual processes going on are consistent with our conjectures. As such, future research needs to directly examine these processes to verify these inferences. Furthermore, since we have shown the importance of local institutions, our results call for more work in alternative institutional settings.

Nonetheless, our paper has potentially important policy implications. If politicians or corporations desire more active shareholders, they should make companies more amenable to small shareholder influence. The Swedish example indicates that shareholder committees such as the nomination committee can play a role in this respect. Moreover, strong shareholder associations can make it easier to overcome collective action problems. Finally, transparency concerning ownership can also make it easier and less costly for shareholders to form coalitions. However, since small shareholders can leverage their influence by teaming up with blockholders, a highly dispersed ownership may not be necessary or even conductive to shareholder activism.

It is not obvious, however, that more shareholder activism is necessarily better, since it entails costs as well as benefits. Apart from resources consumed by managers and experts on both sides of the debate, shareholders may not correctly perceive what is going on in the company and may be subject to demagogy and other imperfections in the political process, which could lead to bad decisions and harm the companies they intend to change. Our results indicate that the opinions expressed by shareholders have little to do with what is going on in the firm and should perhaps be regarded as noise rather than a meaningful conservation between managers and shareholders. Much shareholder activism may be less driven by a desire to improve the company than by self-promotion of fund managers (Nordén and Strand, 2009; Woidtke, 2002). For example, voting against proposals or demanding opinions to be recorded in the minutes both appear to be unrelated to the amenability to shareholder influence. This is probably no accident, since it may be less costly to attract limelight by speaking up or voting against a proposal compared to preparing a proposal for decision at the general meeting, which could also be an embarrassment if resoundingly rejected by the other shareholders. Thus, policy makers should perhaps accept some transaction costs to prevent shareholder meetings from being hijacked for goals unrelated to the company.

ACKNOWLEDGEMENTS

The authors are grateful to three anonymous referees, Till Talaulicar (Guest Editor) and William Judge (Editor) for their valuable comments on previous versions of this paper. Alexandra Engel provided excellent research assistance.

REFERENCES

Aggarwal, R. 2001, "Value-Added Annual Shareholders Meetings: Reflections on People's Capitalism at Wal-Mart", *Journal of Retailing and Consumer Services*, 8: 347-349.

Agnblad, J., Berglöf, E., Högfeldt, P., and Svancar, H., 2002, "Ownership and Control in Sweden: Strong Owners, Weak Minorities, and Social Control". In F. Barca, and M. Becht (Eds.), "*The Control of Corporate Europe"*, Chapter 9, 228-258. Oxford University Press.

Apostolides, N. 2007, "Directors Versus Shareholders: Evaluating Corporate Governance in the UK using the AGM Scorecard", *Corporate Governance: An International Review*, 15: 1277-1287.

Banzhaf, J. 1965, "Weighted Voting Doesn't Work: A Mathematical Analysis", *Rutgers Law Review*, 19: 317-343.

Barca, F. and Becht, M. 2002, "*The Control of Corporate Europe"*, New York: Oxford University Press.

Barclay, M. J. and Holderness, C. G. 1989, "Private Benefits from Control of Public Corporations", *Journal of Financial Economics*, 25: 371–395.

Barclay, M. J. and Holderness, C. G. 1991, "Negotiated Block Trades and Corporate Control", *Journal of Finance*, 46: 861–878.

Baums, T. 1997, "Shareholder Representation and Proxy Voting in the European Union: A Comparative Study", Working paper, J. W. Goethe Universität.

Becht, M., Franks, J., Mayer, C., and Rossi, S. 2009, "Returns to Shareholder Activism: Evidence from a Clinical Study of the Hermes U.K. Focus Fund", *Review of Financial Studies*, 22: 3093-3129.

Belsley, D. A., Kuh, E., and Roy, E. 2004, "*Regression Diagnostics: Identifying Influential Data and Sources of Collinearity*", John Wiley & Sons.

Bengtsson, E. 2005, "*Shareholder Activism of Swedish Institutional Investors*", School of Business, Stockholm University.

Benson, B. W., Davidson, W. N. 2009, "Reexamining the Managerial Ownership Effect on Firm Value", *Journal of Corporate Finance*, 15: 573-586.

Berglöf, E., 1994, "Ownership of Equity and Corporate Governance: The Case of Sweden". In T. Baums, M. Buxbaum, and K. Hopt (Eds.), "*Institutional Investors and Corporate Governance"*, Chapter 11, 311-328. Walter de Gruyter.

Bizjak, J. and Marquette, C. 1998, "Shareholder Proposals to Rescind Poison Pills: All Bark and No Bite", *Journal of Financial and Quantitative Analysis*, 33: 499-523.

Black, B. 1998, "Shareholder Activism and Corporate Governance in the United States", in Peter Newman (ed.), "*The New Palgrave Dictionary of Economics and the Law"*.

Boubaker, S. and Labégorre, F. 2008, "Ownership Structure, Corporate Governance and Analyst Following: A Study of French Listed Firms", *Journal of Banking & Finance*, 32: 961-976.

Brav, A., Jiang, W., Partnoy, F., and Thomas, R. 2008, "Hedge Fund Activism, Corporate Governance, and Firm Performance", *Journal of Finance*, 63: 1729–1775.

Carleton, W. T., Nelson, J. M., and Weisbach, M. S. 1998, "The Influence of Institutions on Corporate Governance Through Private Negotiations: Evidence from TIAA-CREF", *Journal of Finance*, 53: 1335–1362.

Carlsson, R. 2007, "Swedish Corporate Governance and Value Creation: Owners Still in the Driver's Seat", *Corporate Governance: An International Review*, 15: 1038-1055.

Catasus, B. and Johed, G. 2007, "Annual General Meetings Rituals of Closure of Ideal Speech Situations? A Dual Analysis", *Scandinavian Journal of Management*, 23: 168-190.

Charkham, J. 2005. "*Keeping Better Company"*. Oxford University Press.

Cronqvist, H. and Fahlenbrach, R. 2009, "Large Shareholders and Corporate Policies", *Review of Financial Studies*, 22: 3941-3976.

Del Guercio, D. and Hawkins, J. 1999, "The Motivation and Impact of Pension Fund Activism", *Journal of Financial Economics*, 52: 293-340.

Del Guercio, D., Seery, L., and Woidtke, T. 2008, "Do Boards Pay Attention When Institutional Investor Activists "Just Vote No"?", *Journal of Financial Economics*, 90: 84-103.

Directive 2007/36/EC of the European Parliament and of the Council on the Exercise of Certain Rights of Shareholders in Listed Companies.

Djankov, S., La Porta, R., Lopez-de-Silanes, R., and Shleifer, A. 2008, "The Law and Economics of Self-Dealing", *Journal of Financial Economics*, 88: 430-465.

Dubey, P. and Shapley, L. S. 1979, "Mathematical Properties of the Banzhaf Power Index", *Mathematics of Operations Research*, 4: 99-131.

Gillan, S. L. and Starks, L. T. 1998, "A Survey of Shareholder Activism: Motivation and Empirical Evidence", *Contemporary Finance Digest*, 2: 10-34.

Gillan, S. L. and Starks, L. T. 2000, "Corporate Governance Proposals and Shareholder Activism: The Role of Institutional Investors", *Journal of Financial Economics*, 57: 275–305.

Gillan, S. L. and Starks, L. T. 2007, "The Evolution of Shareholder Activism in the United States", *Journal of Applied Corporate Finance*, 19: 55–73.

Gordon, L. A. and Pound, J. 1993, "Information, Ownership Structure, and Shareholder Voting: Evidence from Shareholder-Sponsored Corporate Governance Proposals", *Journal of Finance*, 48: 697–718.

Graves, S. B., Waddock, S. A. 1990, "Institutional Ownership and Control: Implications for Long-Term Corporate Strategy", *Academy of Management Executive*, 4:75-83.

Gray, R., Owen, D., and Maunders, K. 1988, "Corporate Social Reporting: Emerging Trends in Accountability and the Social Contract", *Accounting, Auditing & Accountability Journal*, 1: 6-20.

Grossman, S. and Hart, O. 1980, "Takeover Bids, the Free-Rider Problem, and the Theory of the Corporation", *Bell Journal of Economics*, 11: 42-64.

Henreksen, M. and Jakobsson, U., 2005, "The Swedish Model of Corporate Ownership and Control in Transition". In H. Huizinga and L. Jonung (Eds.), "*Who Will Own Europe? The Internationalization of Asset Ownership in Europe"*, Chapter 7, 207-246. Cambridge University Press.

Himmelberg, C. P., Hubbard, R. G., and Palia, D. 1999, "Understanding the Determinants of Managerial Ownership and the Link Between Ownership Structure and Performance", *Journal of Financial Economics*, 53: 353-384.

Hirschman, A. 1971, "*Exit, Voice and Loyalty: Responses to Decline in Firms, Organizations, and States"*. Cambridge, MA: Harvard University Press.

Hodges, R., Macniven, L. and Mellett, H. 2004, "Annual General Meetings of NHS Trusts: Devolving Power or Ritualizing Accountability?", *Financial Accountability & Management*, 20: 377-399.

Holderness, C. G. and Sheehan, D. P. 1985, "Raiders or Saviors? The Evidence on Six Controversial Investors", *Journal of Financial Economics*, 14: 555–579.

Högfeldt, P., 2005, "The History and Politics of Corporate Ownership in Sweden". In R. Morck (Ed.), "*The History of Corporate Governance Around the World: Family Business Groups to Professional Managers",* Chapter 11, 517-580. University of Chicago.

Isaksson, M. and Skog, R., 1993, "Corporate Governance in Swedish Listed Companies". In T. Baums, M. Buxbaum and K. Hopt (Eds.), "*Institutional Investors and Corporate Governance"*, Chapter 10, 287-310. Walter de Gruyter.

Jensen, M. C. 1989a, "Active Investors, LBOs, and the Privatization of Bankruptcy", *Journal of Applied Corporate Finance*, 2: 235-244.

Jensen, M. C. 1989b, "Eclipse of the Public Corporation", *Harvard Business Review*, September-October: 61-74.

Johanson, J. and Vahlne, J. E. 1977, "The Internationalization Process of the Firm: A Model of Knowledge Development and Increasing Foreign Market Commitments", *Journal of International Business Studies,* 8: 23–32.

Johnson, M. and Shackell, M. 1997, "*Shareholder Proposals on Executive Compensation"*. Working paper, University of Michigan.

Karpoff, J. M., Malatesta, P., and Walkling, R. 1996, "Corporate Governance and Shareholder Initiatives: Empirical Evidence", *Journal of Financial Economics*, 42: 365-395.

Karpoff, J.M. 2001, "*The Impact of Shareholder Activism on Target Companies: A Survey of Empirical Findings"*, Working paper, University of Washington.

Klein, A. and Zur, E. 2009, "Entrepreneurial Shareholder Activism: Hedge Funds and Other Private Investors", *Journal of Finance*, 64: 187-229.

Kruse, T. 2007, "Minority Expropriation and Shareholder Activism Following Olivetti's Hostile Takeover of Telecom Italia", *Corporate Governance: An International Review*, 15: 133-143.

La Porta, R., Lopez-de-Silanes, F., Shleifer A., and Vishny, R. 1998, “Law and Finance”, *Journal of Political Economy*, 106: 1113-55.

Lau Hansen, J. 2006, “On the Independent of Directors in the Nordic Countries Where the Shareholder is King”. In P. Krüger Andersen, N. J. Clausen, and R. Skog (Eds.), “*Shareholder Conflicts”*, Part 1, 69-84. Thomson.

Lawton, P. and Rigby, E. 1992, “*Meetings: Their Law and Practice”*. Pitman.

Leech, D. 1987, “Ownership Concentration and the Theory of the Firm: A Simple Game-Theoretic Approach”, *Journal of Industrial Economics*, 35: 225-240.

Maug, E. 1999, “*How Effective is Proxy Voting? Information Aggregation and Conflict Resolution in Corporate Voting Contests”*, Working paper, Duke University.

Martin, J., Kensinger, J., and Gillan, S. L. 2000, “Value Creation and Corporate Diversification: The Case of Sears, Roebuck & Co.”, *Journal of Financial Economics*, 55: 103-137.

Mizruchi, M. and Fein, L. 1999, “The Social Construction of Organizational Knowledge: A Study of the Uses of Coercive, Mimetic, and Normative Isomorphism”, *Administrative Science Quarterly*, 44: 653-683.

Murphy, K. and Van Nuys, K. 1994, “*State Pension Funds and Shareholder In-Activism*”, Working paper, Harvard Business School.

Nilsson, S. and Hassel, L. G. 2004, “Corporate Governance: Attendance at the Annual General Meetings in Large Swedish Companies”, *Vestnik*, 4: 128-133.

Nordén, L. and Strand, T. 2009, “Shareholder Activism among Portfolio Managers: Rational Decisions or 15 Minutes of Fame?”, *Journal of Management and Governance*, published online: October 13, 2009.

Opler, T. and Sobokin, J. 1995, “*Does Coordinated Institutional Activism Work? An Analysis of the Activities of the Council of Institutional Investors”*, Working paper, Ohio State University and Southern Methodist University.

Parthiban, D., Rahul, K., 1996, “Barriers to Effective Corporate Governance by Institutional Investors: Implications for Theory and Practice”, *European Management Journal*, 14: 457-466.

Petersen M. 2009, “Estimating Standard Errors in Finance Panel Data Sets: Comparing Approaches”, *Review of Financial Studies*, 22: 435-480.

Pozen, R. 1994, "Institutional Investors: The Reluctant Activists", *Harvard Business Review*, 72: 140-149.

Rapoport, A. and Chammah, A. M. 1966, "The Game of Chicken", *American Behavioral Scientist*, 10: 10-28.

Roberts, J., Sanderson, P., Barker, R., and Hendry, J. 2006, "In the Mirror of the Market: The Disciplinary Effects of Company/fund Manager Meetings", *Accounting, Organizations and Society*, 31: 277-294.

Romano, R. 1993, "Public Pension Fund Activism in Corporate Governance Reconsidered", *Columbia Law Review*, 93: 795-853.

Saxon, G. O. 1966, "Annual Headache: The Stockholders Meeting", *Harvard Business Review*, 44: 132-137.

Schelling, T. C. 1960, "*The Strategy of Conflict"*. Harvard University Press.

Schilling, F. 2001, "Corporate Governance in Germany: The Move to Shareholder Value", *Corporate Governance: An International Review*, 9: 148-151.

Shapley, L. S. and Shubik, M. 1954, "A Method for Evaluating the Distribution of Power in a Committee System", *The American Political Science Review*, 48: 787-792.

Shleifer, A. and Vishny, R. 1986, "Large Shareholders and Corporate Control", *Journal of Political Economy*, 94: 461-88.

Short, H. and Keasey, K. 1999, "Managerial Ownership and the Performance of Firms: Evidence from the UK", *Journal of Corporate Finance*, 5: 79-101.

Sinani, E., Stafsudd, A., Thomsen, S., Edling, C., and Randøy, T. 2008, "Corporate Governance in Scandinavia: Comparing Networks and Formal Institutions", *European Management Review*, 5: 27–40.

Sjöström, E. 2008, "Shareholder Activism for Corporate Social Responsibility: What Do We Know?", *Sustainable Development*, 16: 141-154.

Smith, M. 1996, "Shareholder Activism by Institutional Investors: Evidence from CalPERS", *Journal of Finance*, 51, 227-252.

Strätling, R. 2003, “General Meetings: A Dispensable Tool for Corporate Governance of Listed Companies?”, *Corporate Governance: An International Review*, 11: 74-82.

Strickland, D., Wiles, K., and Zenner, M. 1996. “A Requiem for the USA: Is Small Shareholder Monitoring Effective?”, *Journal of Financial Economics*, 40: 319-338.

Söderström, H. T., Berglöf, E., Holmström, B., Högfelt, P. and Meyersson Milgrom, E. M. 2003. “*Corporate Governance and Structural Change – European Challenges”.* SNS Förlag.

Thomsen, S., Pedersen, T., and Kvist, H. K. 2006, “Blockholder Ownership: Effects on Firm Value in Market and Control Based Governance Systems”, *Journal of Corporate Finance*, 12: 246-269.

Tirole, J. 2006, “*The Theory of Corporate Finance”,* Princeton University Press.

Wahal, S. 1996, “Pension Fund Activism and Firm Performance”, *Journal of Financial and Quantitative Analysis*, 31: 1-23.

Woidtke, T., 2002, “Agents Watching Agents? Evidence from Pension Fund Ownership and Firm Value”, *Journal of Financial Economics*, 63: 99-131.

Yermack, D. 2009, “Shareholder Voting and Corporate Governance”, *Annual Review of Financial Economics*, forthcoming.

Zaheer, S. 1995, “Overcoming the Liability of Foreignness”, *Academy of Management Journal*, 38: 341–364.

Zhou, X. 2001, “Understanding the Determinants of Managerial Ownership and the Link Between Ownership and Performance: Comment”, *Journal of Financial Economics*, 62: 559-571.

Zingales, L. 1994, “The Value of the Voting Right: A Study of the Milan Stock Exchange”, *Review of Financial Studies*, 7: 125-148.

APPENDIX: TABLE 2

Bi-variate correlation matrix of independent variables

This table presents a correlation matrix of the variables used in our analyses. Nomination committee is the number of proposals made by the nomination committee. Other shareholders is the number of proposals made by other shareholders than those who are members of the nomination committee. Proposals voted against is the number of board proposals voted against. Opinions expressed is a dummy variable equal to 1 if any shareholder expressed opinions that were taken to the minutes and 0 otherwise. Amenability is the average percentage decrease in the largest shareholder's voting power when one more shareholder successively is added to the decision-making process. Board proposals is the number of proposals made by the board. Foreigner is a dummy variable equal to 1 if the largest shareholder is a foreigner and 0 otherwise. Stock return is the dividend-adjusted stock return in the year prior to the shareholder meeting. Return on equity is the book return on equity in the year prior to the shareholder meeting. Firm size is the natural logarithm of the book value of total assets in the year of the shareholder meeting. Firm value is the market value of equity plus the book value of total debt all divided by the book value of total assets in the year of the shareholder meeting. Leverage is the book value of total debt divided by the book value of total assets also in the year of the shareholder meeting. * marks significance at the 1 % level.

	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
1. Nomination committee	1.00											
2. Other shareholders	-0.15*	1.00										
3. Proposals voted against	0.12*	0.06	1.00									
4. Opinions expressed	0.07	0.15*	0.26*	1.00								
5. Amenability	0.04	-0.11*	-0.04	-0.01	1.00							
6. Board proposals	-0.26*	-0.06	0.27*	0.04	0.08	1.00						
7. Foreigner	0.15*	0.11*	0.11*	0.00	0.08	0.06	1.00					
8. Stock return	-0.10*	0.05	0.00	-0.02	-0.02	0.07	-0.02	1.00				
9. Return on equity	0.16*	0.01	0.13*	0.01	-0.06	0.13*	0.10*	0.24*	1.00			
10. Firm size	0.40*	0.18*	0.31*	0.10	-0.14*	0.10*	0.17*	0.03	0.30	1.00		
11. Firm value	0.05	-0.04	0.03	-0.02	-0.08	-0.02	0.05	0.01	0.12*	0.17*	1.00	
12. Leverage	0.08	-0.10*	0.04	-0.05	0.08	-0.07	0.02	-0.01	0.09	0.41*	0.05	1.00

BIOGRAPHY

Thomas Poulsen, PhD, is Assistant Professor at the Department of International Economics and Management at Copenhagen Business School and a core member of the Center for Corporate Governance, also at Copenhagen Business School. With a view to his background in corporate finance, his current research focuses on issues related to ownership structure and in particular the voting power of shareholders.

Therese Strand is a PhD student at the Center for Corporate Governance at Copenhagen Business School. Her research interests are centered around ownership in listed corporations including the function of general meetings, activism and shareholder democracy and effects of law and politics on shareholders.

Steen Thomsen, PhD, is Professor at the Department of International Economics and Management at Copenhagen Business School and Director of the Center for Corporate Governance, also at Copenhagen Business School. He specializes in corporate governance as a teacher, researcher, consultant, commentator and practitioner. Current research interests include industrial foundations, board structure, corporate governance and dynamic efficiency.

Asymmetric Information and Business Groups:

What are the Effects on Shareholder Activism?†

Thomas Poulsen & Therese Strand

ABSTRACT

Manuscript Type: Empirical

Research Question/Issue: Outside shareholders face an information problem since managers tend to have better information about the state of the firm and conflicting incentives. To the extent that these asymmetric information problems mirror the risk of potential mismanagement, one would expect shareholder activism to reflect this.

Research Findings/Insights: Using data on shareholder proposals from Swedish annual general meetings as the basis for this research: it is found that shareholders react to asymmetric information by increasing the number of proposals. By using Sweden as the testing ground, the importance of local corporate governance mechanisms such as control-enhancing mechanisms and business groups can be studied. Such mechanisms are important because they carry decision-making power over both board composition and who holds the position of CEO. Presumably, such influence reduces asymmetric information and shareholders' inclination to make proposals and this is exactly what we find.

Theoretical/Academic Implications: This research shows that it is important to distinguish between positive and negative information problems, and that it is important to consider how local mechanisms shape the nature of shareholder activism. For example, the means by which ownership is concentrated is important for the respective shareholders' inclination to make proposals and thus produce public information.

Practitioner/Policy Implications: Regulators and companies may preempt some critical shareholder activism by improving (reducing) public (asymmetric) information. Regulators should also be aware that less public and more private information exists in some high-powered ownership structures and that democratic deficits may have adverse effects.

Keywords: Corporate governance, shareholder activism; asymmetric information; voting power; dual-class shares; business groups.

† This article is published in a modified version together with findings from the article *"Voting Power and Shareholder Activism"* as *"The Owners and the Power: An Insight into Shareholder Actions"* (with T. Poulsen) in The European Financial Market in Transition, H. Birkmose, M. Neville, K. Engsig Sørensen (Eds.), Kluwer Law, (2012).

1. INTRODUCTION

Previous research indicates that shareholder proposals are one of the primary tools for corporate investors to demonstrate dissatisfaction and attempt to affect corporate decision-making in listed firms. In the United States, shareholder filings of proxy proposals to pursue corporate governance issues can be traced back to 1943 when the Securities and Exchange Commission (SEC) adopted Rule 14a-8 (Talner, 1983).[1] Solicitation of proxies has been used extensively ever since. Studies generally find shareholder proposals to be a valuable tool. Dodd and Warner (1983) and Mulherin and Poulsen (1998) find that shareholder value increases around proxy contests, even when they are unsuccessful (indicating a strong disciplining effect). Because they affect leadership and strategic decision processes, these contests are important for the strategic management of firms.

Agency theory promotes financial rationality as a driver of these activist attempts; hence, advocating underperforming firms as targets for shareholder proposals. Empirical studies, on the other hand, return mixed results. Some studies find that stock market returns are lower in firms that attract shareholder proposals (Opler and Sobokin, 1995; Strickland et al., 1996), while others find insignificant differences (Carleton et al., 1998; Smith, 1996). Some studies also find that accounting returns are lower in firms that attract proposals (Bizjak and Marquette, 1998; Karpoff et al., 1996; Martin et al., 2000), while others again find insignificant differences (Johnson and Shackell, 1997; Smith, 1996; Strickland et al., 1996). These results lend support to the conclusion that, if anything, the effect of financial performance on shareholder activism is negative.

Although scholars have also elaborated on alternative factors to explain shareholder activism,[2] one potential explanation that remains untested is that of asymmetric information.[3] Corporate investors are subjected to extensive information flows in terms of reports, market announcements, and press releases, as well as evaluations and statements from analysts, banks, rating agencies, stock exchanges, and the mass media. Nonetheless, the release of the annual report constitutes one of the most important times of the year to evaluate investments. Since the general meeting follows, it also offers investors an important opportunity to act upon the new

---

[1] The Securities and Exchange Commission Rule 14a-8 concerns solicitation of proxies and stipulates that shareholders are permitted to submit proposals to a firm requesting it to be put to vote at the closest upcoming (ordinary or extra) general meeting.

[2] Woidtke (2002) suggests that institutional investors act for private benefits reasons rather than shareholder value when being active. Norden and Strand (2009) find that institutional investors primarily target firms that are large and appear frequently in mass media, potentially in pursuit of competitiveness and legitimacy, as institutions are players in competitive markets. Firm size, with all its potential interpretations, is also found to be positively related to shareholder proposals (Bizjak and Marquette, 1998; Johnson and Shackell, 1996; Karpoff et al., 1996; Smith, 1996; Strickland et al., 1996).

[3] Note that there is no meaningful agency problem in the absence of asymmetric information. Asymmetric information is, therefore, to a certain extent, embedded in earlier agency theory based studies such as the performance studies. Our approach is closely related to these studies but different because it is more general and less restrictive, i.e., we have a more general perception of the asymmetric information causing the agency problem.

information within a short timeframe. Thus, asymmetric information, when it becomes visible through publication of the annual report, allows shareholders to turn from being passive receivers of information into active owners that aim to affect the firm and balance managerial power. For outside shareholders with no control of everyday business, this participation is crucial.[4]

In this study, the relationship between asymmetric information and shareholder proposals is investigated. Asymmetric information is proxied by the difference between actual and expected earnings per share and it is hypothesized that shareholders make more proposals when there are negative surprises. To limit agency problems, large shareholders with active control ambitions usually hold board positions and engage in behind-the-scenes monitoring, which could affect the amount of information that firms release. Therefore, it is furthermore hypothesized that the number of shareholder proposals is smaller in firms with such large shareholders. Active control ambitions are proxied by the use of high-powered control structures such as dual-class shares and pyramids.

This study offers several contributions to previous research in the fields of strategic management and corporate governance. First, this study complements previous studies of shareholder activism and financial (mis)management. We find that shareholders react to more than underperformance per se; they also react to deviations from expectations. If there is a negative surprise when actual earnings per share is announced, shareholders react (rationally, according to agency theory) by increasing the number of proposals, presumably in an attempt to reduce the asymmetric information that caused the surprise. Second, we find that shareholders in firms with high-powered control structures make fewer proposals for a given degree of asymmetric information. This is more pronounced in pyramidal holding structures where the largest shareholder is a business group than it is in firms with dual-class shares. The effect is a direct effect, i.e., it is not simply because more concentrated control arguably reduces asymmetric information, although one might correctly expect a correlation between the two. This second result has important policy implications because it means that less information is revealed to the public, making it more difficult for outside minority shareholders to actively participate in the general management of the firm. Previous studies find that such limitations on minority shareholders may hamper economic growth.[5] Third, while prior research has examined the links between corporate governance and disclosure and between disclosure and asymmetric information, it has scarcely examined the link between corporate governance and asymmetric information (Kanagaretnam et al., 2007 is a notable exception). Our study provides a direct test of this link. Consequently, one way of viewing the contributions of our study is therefore that it provides a triangulation of the relationships observed in prior research.

[4] At the same time, outside shareholders must accept a certain degree of asymmetric information. Requiring otherwise would divert management's attention from other and sometimes more important matters concerning the firm. Publishing every decision might also endanger the competitive position of the management team. Besides, shareholders should realize that sometimes the management team is the best-equipped decision-making body.

[5] La Porta et al. (1998) began an important strand of research, which linked growth, depth, and valuation of international capital markets to the strength of minority protection.

2. THEORY AND HYPOTHESES

A central tenet of this study is that shareholder proposals are vehicles for information; specifically, shareholder proposals actually produce public information. Buchanan et al. (2010) find that the number of successful shareholder proposals in the U.S. and U.K. has increased from 12.9% in 2000 to 21.2% in 2006. In most cases, the agenda is to tighten the corporate governance of the firm or to express general dissatisfaction with the firm's management, i.e., to reduce problems from separation of ownership and control. Interestingly, this development largely coincides with the post accounting scandals in 2001 and 2002, since which the amount and quality of public information has become a central concern. Until a decade ago, low-cost activism, such as shareholder proposals, as opposed to activism via large ownership, was also low-impact, but this appears to have changed. Bebchuk (2005) ascribes a meaningful role to shareholder proposals in mitigating agency problems from managerial decisions; Harris and Raviv (2010) and Renneboog and Szilagyi (2011) support this both theoretically and empirically.

Before deriving our hypotheses, we will try to put some perspective on proposals as a means of shareholder activism and not least to offer some reflections on the proposal generating process. Of important note is that Hirschman (1971) makes a distinction between exit, voice, and loyalty. Specifically, a shareholder can leave a firm without attempts to improve it, stay in the firm and voice dissatisfaction, or stay and remain passive. Shareholder proposals belong to the voice category, which according to Hirschman (1971:31) "has the function of alerting a firm or organization to its failings." More generally, shareholder activism encompasses a continuum of possible responses to corporate performance and activities (Gillan and Starks, 2007). At one end of the spectrum, shareholders exert activism by selling their shares. Hirschman (1971) refers to this as exit. At the other end, shareholders exert activism by buying more shares, ultimately enough to formally control the decision-making process.

This continuum also spans an additional dimension of shareholder activism: costs. Exit is an easy and low-cost solution to shareholder dissatisfaction with firm management. Nonetheless, this solution hinges on a liquid stock market. At the other end, buying more shares is high-cost but is obviously also more effective. This solution hinges on an effective market for corporate control.

How many proposals shareholders subsequently make depends critically on the costs of delegating decisions to management, which depends on the amount of private information used in making decisions; and, from the point of view of the shareholder, the potential imperfect communication of management's private information in particular. The focus of this study is thus on the higher costs of not making a proposal when a proposal should be made – instead of the lower cost of actually making a proposal. The questions then become (i) when is communication imperfect and how important is the managerial agency problem, and (ii) what can shareholders do to overcome this?

The model in Harris and Raviv (2010) provides some interesting insights into these questions. The two elements of the first question, i.e., imperfect communication and agency costs, are positively correlated: specifically, when agency costs are high, communication of private information from management to shareholders is low. Hence, one result from their model is that shareholders should make proposals when they realize that they are ill informed and this is costly. We will refer to this problem as a negative information problem. They also show that as management preferences become better aligned with shareholder preferences (individual preferences result in management making decisions, which are biased relative to value-maximizing decisions), management decisions become more attractive and shareholders should make fewer proposals (delegate more decisions to management).

3. SHAREHOLDER REACTIONS TO INFORMATION PROBLEMS

Outside shareholders face an information problem (a lemons problem) because managers tend to have better information about the state of the firm *and* they may additionally have conflicting incentives. If outside shareholders cannot distinguish between good and bad states, managers in bad states will always claim they are in good states (Akerlof, 1970). Therefore, outside shareholders have a legitimate interest in being able to distinguish the difference since good firms are obviously more valuable than bad firms.[6] Nonetheless, managers have incentives to withhold certain information because it hinders the capital and labor markets from monitoring them efficiently (e.g., Shleifer and Vishny, 1989).

One potential solution to lemons problems is regulation that requires managers to disclose their private information. Accounting studies have found this to be an effective tool (e.g., Leuz and Verrecchia, 2000). Moreover, because of lemons problems, there is also a demand for information intermediaries, such as financial analysts, to disclose managers' private information (Healey and Papelu, 2001). This type of costly certification may serve as a dissipative signal.[7] Consequently, the accuracy of analysts' forecasts may be a reasonable starting point for this study.

When these forecasts are inaccurate, i.e., when disclosure requirements and information intermediation have not eliminated all asymmetric information, there is a residual information problem and outside shareholders still do not know the true state of the firm. One potential solution to the residual information problem, which is within immediate reach of shareholders, is their right to make proposals at the annual meeting. Residual information problems may therefore cause them to take such measures in order to release new information and disclose whether the firm is actually in a good or bad state. Shareholder proposals signal a serious ambition to affect a change in the general management of the firm and constitute a particularly

[6] Less asymmetric information means less adverse selection, which means higher liquidity and lower cost of capital (Diamond and Verrecchia, 1991).

[7] Dissipative signals are the counterpart in an adverse-selection context of the value-decreasing concessions in the moral hazard context (Tirole, 2006).

good measure of shareholder activism. As stated by Alchian and Demsetz (1972:97), “the transfer of proxies enhances the probability of decisive action in the event current stockholders or any outsider believes that management is not doing a good job with the corporation.”

From the above, one would expect a positive correlation between measures of asymmetric information and shareholder proposals. Nonetheless, to qualify that relationship, asymmetric information can strike shareholders in two ways: The firm may turn out to be in a better state than expected (positive information problem) or it may turn out to be in a worse state than expected (negative information problem). This study is primarily interested in shareholders’ reaction to negative information problems.

Prior research has shown that, if anything, the effect of financial performance on shareholder activism is negative. Karpoff et al. (1996) find that accounting returns are lower in firms that attract proposals. They find that U.S. firms attracting proxy proposals on corporate governance issues have poor prior performance, as measured by the market-to-book ratio, operating return on sales, and sales growth rate. For instance, the mean operating return on sales is 16.8% for the proposal firms and 21.3% for the control firms. The difference is statistically significant at the 1% level. They also find that the likelihood of receiving a proposal is higher for firms with low market-to-book ratio, operating return on sales, and recent sales growth, which all point toward proposals being targeted at poorly performing firms. Mulherin and Poulsen (1998) find that firms subject to dissident proxy challenges also show poor prior performance. A number of other studies cited above find similar or insignificant results. A central precept of these studies is that shareholders react to underperformance per se. The shareholders are also expected to react to deviations from expectations, i.e., even well performing managers may be overoptimistic about the true state of the firm, causing shareholders to take measures (make proposals) in order to solve the induced negative information problem.

Furthermore, in modeling behavioral biases, Barberis et al. (2001) and Barberis and Huang (2001) have all incorporated loss aversion (e.g., Kahneman and Tversky, 1979) into utility models. Because “loss aversion refers to the notion that investors suffer greater disutility from a wealth loss than the utility gain from an equivalent wealth gain in absolute terms” (Subrahmanyam, 2007:16-17), shareholders would be expected to react stronger to unexpected losses than unexpected gains.

Hypothesis 1: Negative information problems increase the number of shareholder proposals.

3.1 Information problems and enhanced control

There are studies that clearly show that a controlling position is valuable (Nenova, 2003; Dyck and Zingales, 2004) because it carries decision-making power over who is elected onto the board and into the CEO position (Bebchuk, 2000; Faccio and Lang, 2002; La Porta et al., 1999; Shleifer and Wolfenzon, 2002). Presumably, such influence reduces asymmetric information between the controlling shareholder and monitored managers (Harris and Raviv, 2010). Mechanisms that enhance control are, therefore, *ceteris paribus*, expected to reduce shareholders' inclination to make proposals. Even more so when controlling shareholders further enhance control by directly participating in the management of their firms (La Porta et al., 1999; Faccio and Lang, 2002). For example, a member of the controlling family is part of the firm's top management team in more than 70% of the cases in Faccio and Lang (2002). Control-enhancing mechanisms such as dual-class shares and pyramidal holding structures may also reflect an endogenous solution to a market failure such as asymmetric information. In any case, such mechanisms are expected to reduce the number of shareholder proposals for a given degree of asymmetric information.

Previous accounting research also shows that who is elected on the board has an impact on both the quantity and quality of corporate information disclosures. Monitored managers make more voluntary disclosures. These disclosures, in turn, affect the inclination to make proposals. Ajinkya et al. (2005) find that firms with more outside directors and better monitoring of their managers are more likely to disclose information. In addition, this information tends to be more accurate and less optimistically biased, which in turn means fewer negative information problems. Karamanou and Vafeas (2005) find that firms with more outside directors are also more likely to make management forecasts, especially when they involve bad news. Yet again, this means fewer negative information problems. Finally, Klein (2002) finds that firms with more outside directors are more effective in monitoring the corporate financial accounting process, i.e., less earnings management.

Controlling shareholders rarely qualify as independent executives; on the contrary, they should be considered insiders,[8] obviously less dependent on public information. Black and Coffee (1994) and Short and Keasey (1999) find that large shareholders and institutional shareholders favor private negotiations with managers over public appearances, which adds to the following hypothesis.

Hypothesis 2: For a given degree of negative information problems, control-enhancing mechanisms reduce the number of shareholder proposals.

[8] In the U.S., for example, the regulator considers everyone with more than 10% of the voting rights an insider *cf.* section 12 of the Securities Exchange Act of 1934. This is a recognition of the privileged position that large shareholders hold, not least in terms of information.

However, control-enhancing mechanisms may differ in their ability to concentrate control. Dual-class shares are often restricted on the voting ratio and the numerical ratio between the classes (Bebchuk et al., 2000). Such restrictions implicitly mandate a lower bound on the degree of separation of between control and cash flow rights, which impedes the efficiency of this mechanism. Pyramids are less restricted. Bebchuk et al. (2000) show how the controlling shareholder can set the cash flow rights as low as desired by setting the number of layers in the pyramid high enough, making it relatively easier to concentrate control. Related to this, Almeida and Wolfenzon (2006) show that business groups have a funding advantage because of the ability to use retained earnings of group firms. Consequently, one should expect more firms to have controlling shareholders, and when these controlling shareholders appoint directors and officers of group firms, the above reasoning is amplified.

Typically, business groups control firms through pyramidal holding structures, where other firms control firms that control yet other firms. Dual-class shares sometimes augment this structure (Agnblad et al., 2002). Either way, business groups have "remarkable power to magnify merely large family fortunes into control over corporate assets worth vastly more" (Morck, 2009:4). Khanna and Rivkin (2001:47-48) define a business group as "a set of firms which, though legally independent, are bound together by a constellation of formal and informal ties and are accustomed to taking coordinated actions." Although disclosure rules, insider trading rules, and enforcement differ between institutional environments, it is plausible to expect this kind of communication of private information in any setting. Having a business group as the largest shareholder is therefore, *ceteris paribus*, expected to further reduce shareholders' inclination to make proposals. The result in Khanna and Rivkin (2001) adds to this. They find that business group firms have profit rates closer to one another when compared with profit rates of other firms. They interpret this result as "indicating that knowledge about a firm's group affiliation improves one's ability to anticipate its profitability" (ibid.:46).

Hypothesis 3: For a given degree of negative information problems, having a business group as the largest shareholder further reduces the number of shareholder proposals.

4. DATA AND METHODOLOGY

To test these hypotheses, data from Sweden is employed. Sweden is an interesting testing ground for several reasons. First, Agnblad et al. (2002:228) describe the corporate governance model as one "combining features of the Continental European and the Anglo-Saxon systems". Going back to Gillan and Starks (2007) and Hirschman (1971), this leaves shareholders in Swedish firms in-between the continuum's two poles, where voicing dissatisfaction by making proposals is the most accessible solution. Second, transparency is high in terms of available information on ownership and shareholder proposals. Shareholders are public when they own more than 500 shares. This is important for shareholders' opportunities to form coalitions prior to annual meetings *cf.* the amenability measure discussed below. Moreover, a notable tradition for openness makes minutes from these meetings accessible even for non-shareholders. This transparency is crucial for the comprehensiveness of this study. We have been able to hand collect minutes and count the number of shareholder proposals for almost 60% of all firm-year observations. Third, Sweden is also suitable because of the intermediate degree of ownership concentration. In the sample selected for this study, the largest shareholder has an average voting stake of 21.88% and there are 7.89 shareholders with more than 1% of the voting rights. Compared to Continental Europe, this degree of concentration is intermediate (Barca and Becht, 2002). Because of collective action problems, atomistic ownership discourages activism; and concentrated ownership conversely discourages activism because incumbent blockholders are then more likely to control the decision-making process. Forth, and despite the latter, Sweden also harbors many firms with dual-class shares and pyramidal holding structures where the largest shareholder is a business group,[9] which allows the analysis to be developed more fully *cf.* hypotheses 2 and 3. In fact, Sweden is one of the few countries that allow both dual-class shares and pyramidal holding structures (La Porta et al., 1999). In our sample, this is the case in 44.42% and 23.31%, respectively. In these firms, ownership is, of course, more concentrated. Controlling for the largest shareholder's amenability to activism, this characteristic allows a direct study of its impact on overt activism.

Firms were selected from among those listed at the OMX Nordic Exchange Stockholm for each year from 2005 to 2008. This provided an initial sample of 1,179 firm-year observations. In 2005, there was a change in the auditing regulations in Sweden. Hence, in order to have comparable data, this year was set as the lower boundary for the time period covered in the study. When the largest shareholder controls more than 50% of the votes, he or she is not formally amenable to activism. Therefore, these observations were excluded. This reduced the sample by 217 observations and by another 8 observations because of voting restrictions. Families and spheres were considered as single units and included firms based on families' or spheres' aggregated holdings. Data on shareholdings were obtained from the statistics book, *Owners and Power*. For the remaining 954 firm-year observations, minutes were available for 552 of them. The minutes were obtained either from the websites or by individual request. Some firms refused access to their minutes or did not respond to our request. For these remaining firm-year observations, we used analysts' forecasts from the International Brokerage Estimate System to identify information problems. Due to limited coverage in this system, the sample was reduced by another 198 observations, which left 354 firm-year observations. As expected, there is a large-firm bias in analyst coverage, which should be recognized when making predictions from our model. Since extracting a balanced panel is not a good idea, because doing so leads to a

[9] Please see appendix A for a prominent example of this (Investor AB – the Wallenberg family firm) as of the last year in our sample.

substantial loss of econometric efficiency, we addressed this concern by comparing balanced and unbalanced estimates (not tabulated). Our results are not qualitatively sensitive to this and we therefore conclude that the unbalanced data does not cause a selection bias in itself.

Finally, there are a number of characteristics about the firm, which previous literature finds to be correlated with shareholder proposals and that we should therefore control for in the regression models. These characteristics are described in detail below. Firm level accounting data and stock prices were obtained from Thomson ONE Banker's Worldscope database and Datastream.

4.1 Dependent variable

Shareholder proposals. Here, previous research standards are followed and shareholder activism is measured as the number of shareholder proposals. We include all items on the agenda proposed by shareholders when coding the minutes, and our dependent variable, the number of shareholder proposals, is simply the sum of these items. The content of the items was not evaluated, i.e., every item was entered with equal weight.[10] Gillan and Starks (1998) recommend a broader perspective on shareholder activism, which includes not only shareholder proposals but also voting behavior and expressed opinions. Our data material allows the option to construct such additional categories. However, if voting behavior is measured as the average number of shareholder proposals voted against or the average number of shareholder proposals voted down, they are only 0.21 and 0.09, respectively. Consequently, in this sense, shareholder activism is practically absent. If expressed opinions is measured as a dummy variable equal to one when one or more shareholders expressed opinions that were taken to the minutes and zero otherwise, in this sense, shareholder activism only appears at roughly every third meeting. A probable explanation to these observations is consensus behavior (Agnblad et al., 2002; Högfeldt, 2005; Sinani et al., 2009). Given the institutional setting, for this research, this broader perspective was disregarded and attention was focused on the number of shareholder proposals.

4.2 Independent variables

Asymmetric information. In corporate finance, asymmetric information between managers and outside shareholders is often measured from ex-ante firm characteristics such as asset tangibility and intensity of R&D (Aboody and Lev, 2000; Frank and Goyal, 2003). However, these measures of asymmetric information are often inconsistent, inherently static, and persistent (Bharath et al., 2009). Therefore, a more dynamic measure was selected. We use analyst earnings forecast errors to measure the quality of disclosed information. Elton et al. (1984) find that a large fraction of analyst forecast error is attributable to misestimation of firm-specific factors rather than to misestimation of economy or industry factors. Their findings suggest that analyst

[10] Renneboog and Szilagyi (2011) find that firms with entrenched managers and ineffective boards are targeted regardless of the proposal objective. Shareholders correctly seem to target firms with governance structures that aggravate negative information problems, indicating that the number of proposals is, indeed, a proper metric. Moreover, Renneboog and Szilagyi (2011) also find that the relation between target selection and governance quality holds irrespective of the sponsor type.

forecast errors are reasonable proxies for the degree of asymmetric information between managers and outside shareholders. Other studies appear to support this as well. Ajinkya et al. (1991) and Lang and Lundholm (1996) find that as firms disclose more information, there is an increase in the accuracy of analyst earnings forecasts. Bowen et al. (2002) additionally find that conference calls positively affect analyst forecast precision. Chen and Matsumoto (2006) find that analyst access to management-provided information is associated with forecasts that are more accurate.

This study defines the surprise component of the earnings per share announcement as the announcement minus an assessment of the market's expectation of this announcement. In defining the surprise component of earnings, analyst forecasts from the International Brokerage Estimate System (IBES) were used as a proxy for the market's expectation of current earnings.[11] In other words:

$$Surprise_{i,t} \equiv \frac{1}{n}\sum_{j=1}^{n} \frac{EPS_{i,t} - IBES\ forecast\ EPS_{j,i,t}}{Earnings_{i,t}}, \qquad (1)$$

where n is the number of analysts covering firm i at time t.

Note that this definition of surprise takes into account the direction of the surprise, i.e., whether it is negative or positive. We define it in this way because we expect the number of shareholder proposals to be lower when the surprise is positive and higher when it is negative. Indeed, when there is a positive surprise, shareholders are naturally less concerned about the governing of the firms. On the contrary, when there is a negative surprise, shareholders care a great deal about better understanding the true state of the firm. Notwithstanding, a two-sided measure is capable of capturing the loss aversion documented in behavioral finance studies.

Our results are robust to scaling the surprise with market capitalization instead of earnings and taking the median surprise instead of the mean. The results are additionally robust to defining asymmetric information completely different as the standard deviation of analysts' forecasts, also scaled by earnings. Since disagreement among analysts is an indication of a lack of available information, we have also used this measure, although it is less powerful because it is not a two-sided measure.

Dual-class shares and business groups. These two variables are dummy variables, i.e., they are equal to one if the firm has dual-class shares or the largest shareholder is a business group, respectively, and zero otherwise. When identifying whether or not the largest shareholder is a

[11] Ideally, we would have a measure of asymmetric information between managers and the rest of the market. We reckon that a proxy based on analyst forecasts is imperfect, albeit reasonably close, since outside shareholders often take advice from analysts.

business group, spheres are defined as business groups. This is done because spheres are business groups in the spirit of Khanna and Rivkin (2001), i.e., firms bound together by formal and informal ties. This study does not distinguish between spheres controlled by families and spheres controlled by other shareholders; the important thing here is that there is a well-defined group of shareholders with common interests. Spheres that are known to be inactive were excluded from the study.[12]

Control variables. As mentioned, there are a number of characteristics about the firm that previous literature finds to be correlated with shareholder proposals and that should, therefore, be controlled for in the regression models. First, the board of directors also makes proposals at the annual general meeting, and these proposals may, to a degree, substitute for shareholder proposals. It is already known that pre-meeting preparation reduces overt meeting activity (Roberts et al., 2006; Yermack, 2010). Thus, the board may preempt shareholder proposals by taking shareholder concerns expressed during pre-meeting preparations into consideration when making their proposals. This is controlled for simply by counting the number of proposals made by the board. Second, the efficacy of shareholder activism is largely determined by the ownership structure in place at the time of the meeting. If a controlling coalition of shareholders cannot be formed without the largest shareholder, activism is useless without the consent of this shareholder, except when it succeeds in signaling dissatisfaction and orchestrating a larger movement that will push the largest shareholder to change. We use the amenability measure from Poulsen et al. (2010) to control for this. In short, this is a measure of the decrease in the largest shareholder's voting power when additional shareholders are added to the decision-making process.[13,14] As noted by Ferri (2010:1-2): "In the case of low-cost activism, the power to influence the firm is predicated upon the ability of the activist to build consensus among a broad spectrum of shareholders." Third, previous research finds that shareholder activism tends to be higher in poorly performing firms. In other words, shareholders are more likely to be active when there is a perceived need for it. Both stock market performance measured as the annual dividend-adjusted stock return in the year prior to the shareholder meeting (Opler and Sobokin, 1995; Strickland et al., 1996) and accounting performance measured as net income after tax divided by shareholder equity (Bizjak and Marquette, 1998; Karpoff et al., 1996; Martin et al., 2000) were included. Forth, the fact that larger firms typically are more opaque also needed to be controlled for. Moreover, larger firms typically attract more attention, which may be an important factor in the decision to be active, especially among institutional investors that need to market their organizations (Nordén and Strand, 2009). Consequently, firm size is included and measured as the natural logarithm of total assets. Firm value—measured as the market value of

[12] A list of these spheres is available on request from the authors.

[13] Please see appendix B for a brief description of the steps in the calculations.

[14] Voting power, which is an artifact of the ownership structure, is a central tenet of amenability to shareholder activism. If the voting power of each member of a voting system were equal to the member's voting weight, small shareholders would rarely be active in shareholder meetings, particularly not in Europe, where they often are up against large blockholders. However, small shareholders may be pivotal if they can mobilize a collective voice and form winning coalitions.

equity—plus book value of total debt—divided by total assets—was also included. This is because shareholders were expected to be more active in protecting their investment when it is more valuable. The last control variable is motivated by the observation that the relative strength of creditors in the decision-making process depends on the relative amount of debt in a firm (Jensen, 1989). It is expected that shareholders would be less active when debt is high and use leverage, measured as the book value of total debt divided by total assets, to control for this.

Tables 1 (see below) and 2 (see appendix C) provide summary statistics and bivariate correlations for the pooled data.

	Mean	Std. dev.	Q1	Median	Q3
Number of proposals	3.971	1.801	4.000	4.000	5.000
Asymmetric information	-0.010	0.183	-0.004	0.000	0.004
Dual-class shares	0.444	0.497	0.000	0.000	1.000
Business group	0.233	0.423	0.000	0.000	0.000
Board proposals	4.169	2.030	3.000	4.000	5.000
Amenability	0.979	0.689	0.231	1.139	1.433
Stock market return	0.215	0.605	-0.127	0.155	0.390
Return on equity	0.092	0.364	0.037	0.153	0.244
Size	6.136	2.196	4.534	5.847	7.652
Value	2.292	2.130	1.506	1.912	2.383
Leverage	0.195	0.179	0.035	0.155	0.318

Table 1: Descriptive Statistics. This table presents descriptive statistics for a 4-year panel over the period from 2005 to 2008 of Swedish firms for which shareholder activism data was collected. Number of proposals is the number of items on the agenda proposed by shareholders. Asymmetric information is the earnings per share announcement minus an assessment of the market's expectation of this announcement to earnings. Dual-class shares and business group are dummy variables equal to one if the firm has dual-class shares or the largest shareholder is a business group, respectively, and zero otherwise. Board proposals are the number of proposals made by the board. Amenability is the average percentage decrease in the largest shareholder's voting power when one more shareholder successively is added to the decision-making process. Stock return is the dividend-adjusted stock return in the year prior to the shareholder meeting. Return on equity is the book return on equity in the year prior to the shareholder meeting. Size is the natural logarithm of the book value of total assets in the year of the shareholder meeting. Value is the market value of equity plus the book value of total debt all divided by the book value of total assets in the year of the shareholder meeting. Finally, leverage is the book value of total debt divided by the book value of total assets also in the year of the shareholder meeting.

4.3 Empirical specification

Poisson models are appropriate when the dependent variable is a count variable, which only takes non-negative values. The probability of a firm having y shareholder proposals in a certain year is then $P(Y = y) = e^{-\mu}\mu^{y}/y!\ \forall\ y$, where μ is the mean and variance of the distribution. We do not use firm fixed effects models to account for unobserved firm-specific effects; among other things, because shareholders make either no or the same number of proposals as in the preceding year in nearly one third of our sample. This is a problem because the Poisson fixed effects estimator only uses the observations where the dependent variable is non-zero and time varying.

Moreover, ownership is stable over time and therefore co-varies with the fixed firm effect.[15] Our data failed the Hausman test, indicating just this. Finally, fixed effects models typically produce biased estimates when the time period is short (Heckman, 1981).[16]

Population-averaged models were chosen over random effects models because population-averaged models allow modeling of the correlation structure and produce robust standard errors by clustering standard errors by firm (as recommended in Petersen, 2009). A model for correlation is especially important when observations are unbalanced and mistimed, as is the case in our data set. Considering the repeated measures over time, an auto-regressive correlation structure with one lag. Finally, standard errors to account for the over-dispersion caused by the many zero-observations in the data, i.e., we relax the standard Poisson assumption that the mean and variance of the distribution of the dependent variable are equal in order to obtain a robust estimate of the variance-covariance matrix of the estimator.[17]

Interaction effects. Among the regressor variables, one interaction effect in particular warrants a discussion. Our hypothesis is that a negative surprise causes shareholders to make more proposals in order to reduce negative information problems. The question then is whether it should be expected that the ownership structure would influence the impact of negative information problems on the number of proposals. Based on ownership structure literature on multiple blockholders, we conjecture that it is more correct to consider the simultaneous influence of ownership and asymmetric information as additive and not include an interaction term. Edmans and Manso (2010) find no clear inference between the two. In their model, the optimal number of blockholders is increasing in the value created by managerial effort and decreasing in the value created by blockholder intervention, which in turn depends on the type of managers and blockholders.

To be certain, we have tested this empirically. One approach is to split the sample into high and low asymmetric information, run separate regressions, and check for significant differences in the coefficient estimate of the amenability measure (F-test). Another is to simply include the interaction variable and check its significance. In both ways, we get insignificance and thus leave out the variable.

5. RESULTS

Table 3 reports our results. All models suggest that asymmetric information measured as the surprise component of the earnings per share announcement is always negative, lending support to the hypothesis that shareholders make more proposals when there are negative information problems. For the Poisson model, the mean is exponential: $\mu_i = \exp(x_i') \forall\ i$. This means that

[15] Cronqvist and Fahlenbrach (2009), Thomsen, Pedersen, and Kvist (2006), and Zhou (2001), among others, emphasize cross-sectional features of ownership that renders firm fixed effects questionable.
[16] Similar arguments against fixed effects have been put forward, for example, by Jensen and Zajac (2004).
[17] Ignoring over-dispersion does not affect the consistency of the Poisson coefficients but results in biased estimation of their variances, causing standard errors to be too low.

coefficients can be interpreted as semielasticities (Cameron and Trevedi, 2010). Thus, in model 1, where the coefficient of asymmetric information is equal to -0.15, a one standard deviation increase in the difference between the announced earnings per share and the market's expectation is associated with a 3% decrease in the number of shareholder proposals. This is highly significant and of the same order of magnitude as a one unit drop in the number of board proposals.

	Hypothesis 1	Hypothesis 2	Hypothesis 3
Asymmetric information	-0.151***	-0.138***	-0.147***
	(0.050)	(0.052)	(0.048)
Dual-class shares		-0.113**	
		(0.049)	
Business group			-0.141**
			(0.058)
Board proposals	-0.042**	-0.038**	-0.043***
	(0.017)	(0.016)	(0.017)
Amenability	0.057**	0.037	0.044
	(0.028)	(0.027)	(0.027)
Stock market return	-0.006	-0.006	-0.013
	(0.027)	(0.026)	(0.026)
Return on equity	0.001	0.001	0.001
	(0.001)	(0.001)	(0.001)
Size	0.074***	0.080***	0.092***
	(0.015)	(0.015)	(0.017)
Value	-0.021**	-0.020**	-0.019**
	(0.008)	(0.009)	(0.010)
Leverage	-0.419***	-0.465***	-0.511***
	(0.162)	(0.162)	(0.168)
Observations	354	354	354
Number of firms	118	118	118
Mean VIF	1.28	1.28	1.34
$\chi 2$	38.84	40.47	46.32

Table 3: Regressing the number of shareholder proposals on asymmetric information. Population-averaged Poisson models. Asymmetric information is the earnings per share announcement minus an assessment of the market's expectation of this announcement to earnings. Please refer to Table 1 for other variable descriptions. We use an auto regressive correlation structure with one lag and scale standard errors to account for the over-dispersion caused by the many zero-observations. Robust standard errors are in parentheses. Year dummies and a constant are included but not reported. Note: ***, **, and * indicate that the coefficient estimates are statistically significantly different from zero at the 1%, 5%, and 10% level.

Furthermore, model 1 shows that, on average, the number of shareholder proposals is also increasing in the amenability of the largest shareholder's voting power and the size of the firm, while it is decreasing in the number of board proposals and the value and leverage of the firm. This is in line with expectations. The effect of financial performance is insignificant in our specification. This is partially in line with expectations *cf.* above where it was concluded that, if anything, the effect of financial performance is negative.

Several interesting observations transpire when moving from model 1 to 2 and 3. First, for a given degree of asymmetric information, the average number of shareholder proposals is significantly lower in firms with control enhancing mechanisms. In fact, the average number of proposals is 11.3% (model 2) and 14.1% (model 3) lower, respectively. The negative coefficients and the difference between the coefficients lend support to hypothesis 2 and 3. The lack of public information that follows from fewer proposals may have adverse consequences for outside shareholders. This will be discussed in more detail below. Second, recall that amenability is a measure of the efficacy of shareholder activism included to control for the ownership structure's effect on the propensity to make proposals. This variable loses its explanatory power, but it is unsurprising when additional ownership variables are added.[18] The remaining control variables are stable.

5.1 Supplemental analyses

Since disagreement among analysts about a consensus estimate of the forecast is an indication of a lack of available information, asymmetric information could be defined in a completely different way as the standard deviation of analysts' forecasts, also scaled by earnings. However, this is a less powerful measure because it is not a two-sided measure. Nonetheless, table 4 reports our results when using this variable. All models suggest a negative and statistically significant relationship between asymmetric information and the number of shareholder proposals, and the sizes of the estimated coefficients lend support to all three hypotheses. Shareholders react to asymmetric information by increasing the number of proposals but less so in firms with control enhancing mechanisms and in particular in firms with a business group as the largest shareholder. Control variables have the same signs. Our results thus seem robust to this alternative definition of asymmetric information.

Following Krishnaswami and Subramaniam (1999), we have also calculated a normalized forecast error, defined as the ratio of the forecast error in earnings to the earnings volatility, where earnings volatility is the 5-year earnings volatility. This is relevant if forecast errors are correlated with the firm's riskiness. On the other hand, volatility is not necessarily uncertainty, which is what we want to capture; high volatility may reflect a risky strategy of which outside shareholders are aware. In unreported regressions, we find that a normalized forecast error does not change our results.

Aboody and Lev (2000) present a convincing case for research and development (R&D) as an alternative measure of asymmetric information. They note that public information is scarce because R&D is immediately expensed in the financial statement. Moreover, R&D is unique to a particular firm, i.e., outside shareholders can hardly derive any information from observing other firms. Although not completely unrelated, this measure is different in nature from the analyst-based measure applied above. Barth et al. (2001) find that analyst coverage is larger for high-

[18] Multicollinearity is not a problem; variance inflation factors are always well below 2.

R&D firms compared to low-R&D firms. Tasker (1998) finds that high-R&D firms conduct more conference calls with analysts than low-R&D firms, implying a stronger shareholder demand for information about the R&D activities. Finally, Kothari et al. (2002) find that R&D generates more uncertainty about earnings when compared to tangible assets.

	Hypothesis 1	Hypothesis 2	Hypothesis 3
Asymmetric information	-0.019**	-0.017**	-0.016**
	(0.009)	(0.008)	(0.007)
Dual-class shares		-0.108**	
		(0.053)	
Business group			-0.132**
			(0.059)
Board proposals	0.047	0.027	0.036
	(0.029)	(0.028)	(0.028)
Amenability	-0.041**	-0.036**	-0.042**
	(0.017)	(0.015)	(0.017)
Stock market return	0.031	0.031	0.019
	(0.031)	(0.030)	(0.030)
Return on equity	0.001	0.001	0.001
	(0.001)	(0.001)	(0.001)
Size	0.072***	0.079***	0.089***
	(0.016)	(0.017)	(0.018)
Value	-0.019**	-0.019**	-0.019*
	(0.008)	(0.009)	(0.010)
Leverage	-0.377**	-0.417**	-0.459***
	(0.171)	(0.172)	(0.175)
Observations	325	325	325
Number of firms	108	108	108
Mean VIF	1.28	1.28	1.34
$\chi 2$	33.88	36.07	42.95

Table 4: Robustness analyses I. Population-averaged Poisson models. Asymmetric information is now the standard deviation of analysts' forecasts to earnings. Please refer to Table 1 for other variable descriptions. We use an auto regressive correlation structure with one lag and scale standard errors to account for the over-dispersion caused by the many zero-observations. Robust standard errors are in parentheses. Year dummies and a constant are included but not reported. Note: ***, **, and * indicate that the coefficient estimates are statistically significantly different from zero at the 1%, 5%, and 10% level.

To test the robustness of the analyst-based measure of asymmetric information used in this study, we therefore rerun the three models with the ratio of annual research and development expenses to sales in lieu of the surprise component of the earnings per share announcement. Table 5 reports the results. Again, all models suggest a relationship between asymmetric information and the number of shareholder proposals. In this specification, coefficients are positive because asymmetric information is a one-sided measure, which does not distinguish between negative and positive information problems. Models 2 and 3 further confirm the effect of control-enhancing mechanisms in general and business groups in particular. Control variables have the same signs. Our results also seem robust when compared to this alternative definition of asymmetric information.

	Hypothesis 1	Hypothesis 2	Hypothesis 3
Asymmetric information	0.015**	0.014**	0.016**
	(0.007)	(0.007)	(0.007)
Dual-class shares		-0.051**	
		(0.021)	
Business group			-0.179**
			(0.084)
Board proposals	-0.057***	-0.051**	-0.058***
	(0.022)	(0.021)	(0.021)
Amenability	0.134**	0.093	0.120**
	(0.059)	(0.057)	(0.057)
Stock market return	-0.036	-0.035	-0.051
	(0.044)	(0.047)	(0.045)
Return on equity	0.001	0.001	0.001
	(0.001)	(0.001)	(0.001)
Size	0.110***	0.116***	0.128***
	(0.024)	(0.025)	(0.026)
Value	-0.045	-0.036	-0.016
	(0.054)	(0.045)	(0.038)
Leverage	-0.143	-0.195	-0.290
	(0.174)	(0.177)	(0.194)
Observations	210	210	210
Number of firms	67	67	67
Mean VIF	1.28	1.28	1.34
$\chi 2$	30.40	32.29	33.96

Table 5: Robustness analysis II. Population-averaged Poisson models. Asymmetric information is now research and development to sales. Please refer to Table 1 for other variable descriptions. We use an auto regressive correlation structure with one lag and scale standard errors to account for the over-dispersion caused by the many zero-observations. Robust standard errors are in parentheses. Year dummies and a constant are included but not reported. Note: ***, **, and * indicate that the coefficient estimates are statistically significantly different from zero at the 1%, 5%, and 10% level.

6. IMPLICATIONS AND CONCLUSIONS

In this study, we predicted how shareholders react to asymmetric information and how control-enhancing mechanisms influence this reaction. We measure reaction by the number of shareholder proposals made at the annual general meeting. Shareholder proposals constitute a strong indicator of an active ambition to participate in the running of the firm, particularly as the submitting shareholder alone carries the cost. These predictions were tested on a panel of Swedish firms covering the period 2005 to 2008. As expected, it was found that shareholders make more proposals when negative information problems are large. It was also found that shareholders make fewer proposals in firms with dual-class shares and in particular in firms where the largest shareholder is a business group.

The first result implies that shareholders' opportunity to make proposals at annual meetings is an important vehicle for producing public information (alternatively, that high disclosure rules are meaningful), reducing managers' private information, and balancing managerial power: all confirming that these meetings are much more than ineffective rituals (Schilling, 2001) and annual headaches (Apostolides, 2007). This is especially true when decisions are binding, as it is with the case in Sweden.[19] The second result implies that a democratic deficit may exist in firms with control-enhancing mechanisms. Fewer proposals produce less public information; which, in turn, limits outside shareholders' opportunity to agitate for change. It also signals that managers and controlling owners might exchange information behind the scenes, thus effectively excluding minority shareholders from any participation in the running of firms.

One thing is less public information, another things is the purposes for which controlling shareholders use their private information. As mentioned, private information may be a way to correct market failures. However, private information may also be a way to extract private benefits. Bebchuk et al. (2000) conclude that because these structures can radically distort their controllers' incentives, they put great pressure on non-electoral mechanisms. Among these, more and better public information should earn a high rank.

It is known that the characteristics of the board of directors and the top management team do, indeed, affect their strategic choices and ultimately firm outcome (e.g., Hambrick and Mason, 1984; Finkelstein, 1992). These important strategic players have a crucial role in ensuring firms' responsive behavior and fair representation of all its shareholders, including their opportunity to agitate for change from the outside. Future research in strategic management may provide a better understanding of the characteristics that support public rather than private information and prevent powerful, controlling owners from hijacking top management teams.

[19] In the U.S., for example, decisions may be non-binding in the sense that the management has the authority to reject the proposal even if it received majority support from shareholders.

REFERENCES

Aboody, D. & Lev, B. 2000, "Information Asymmetry, R&D and Insider Gains", *Journal of Finance*, 55: 2747-2766.

Ajinkya, B., Atiase, R., & Gift, M. 1991, "Volume of Trading and the Dispersion in Financial Analyst Earnings Forecasts", *Accounting Review*, 66: 389-401.

Ajinkya, B., Bhojraj, S., & Sengupta, P. 2005, "The Governance Role of Institutional Investors and Outside Directors on the Properties of Management Earnings Forecasts", *Journal of Accounting Research*, 43: 343-376.

Akerlof, G. 1970, "The Market for 'Lemons': Quality Uncertainty and the Market Mechanism", *Journal of Economics*, 90: 629-650.

Alchian, A. & Demsetz, H. 1972, "Production, Information Costs and Economic Organization", *American Economic Review*, 62: 777-795.

Almeida, H. & Wolfenzon, D. 2006, "A Theory of Pyramidal Ownership and Family Business Groups", *Journal of Finance*, 61: 2637-2680.

Apostolides, N. 2007, "Directors Versus Shareholders: Evaluating Corporate Governance in the UK using the AGM Scorecard", *Corporate Governance: An International Review*, 15: 1277-1287.

Agnblad, J., Berglöf, E., Högfeldt, P., & Svancar, H. 2002, "Ownership and Control in Sweden: Strong Owners, Weak Minorities, and Social Control", In F. Barca & M. Becht (Eds.), *The control of corporate Europe*: 228-258. Oxford: Oxford University Press.

Banzhaf, J. 1965, "Weighted Voting Doesn't Work: A Mathematical Analysis", *Rutgers Law Review*, 19: 317-343.

Barberis, N. & Huang, M. 2001, "Mental Accounting, Loss Aversion, and Individual Stock Return", *Journal of Finance*, 56: 1247-1292.

Barberis, N., Huang, M., & Santos, J. 2001, "Prospect Theory and Asset Prices", *Quarterly Journal of Economics*, 141: 1-53.

Barca, F. & Becht, M. 2002, "*The Control of Corporate Europe*", New York: Oxford University Press.

Barth, M., Kasznik, R., & McNichols, M. 2001, "Analyst Coverage and Intangible Assets", *Journal of Accounting Research*, 39: 1-34.

Bebchuk, L., Kraakman, R., & Triantis, G. 2000, “Stock Pyramids, Cross-Ownership, and Dual Class Equity: The Creation of Agency Costs of Separating Control from Cash Flow Rights”. In R. Morck (Ed.), *Concentrated ownership*: 295–315. Chicago: University of Chicago Press.

Bebchuk, L. 2005, “The Case for Increasing Shareholder Power”, *Harvard Law Review*, 118: 835-914.

Bharath, S., Pasquariello, P., & Wu, G. 2009, “Does Asymmetric Information Drive Capital Structure Decisions?”, *Review of Financial Studies*, 22: 3211-3243.

Bizjak, J. & Marquette, C. 1998, “Shareholder Proposals to Rescind Poison Pills: All Bark and No Bite”, *Journal of Financial and Quantitative Analysis*, 33: 499-523.

Black, B. & Coffee, J. 1994, “Hail Britannia? Institutional Investor Behavior under Limited Regulation”, *Michigan Law Review*, 92: 1997-2087.

Bowen, R, Davis, A., & Matsumoto, D. 2002, “Do Conference Calls Affect Analyst Forecasts?”, *Accounting Review*, 77: 285-316.

Buchanan, B., Netter, J., & Yang, T. 2010, “Are Shareholder Proposals an Important Corporate Covernance Device? Evidence from US and UK Shareholder Proposals”. SSRN Working Paper Series.

Cameron, A. & Trivedi, P. 2010, “*Microeconometrics using Stata”*, 2. Ed. Stata Press.

Carleton, W., Nelson, J., & Weisbach, M. 1998, “The Influence of Institutions on Corporate Governance Through Private Negotiations: Evidence from TIAA-CREF”, *Journal of Finance*, 53: 1335-1362.

Chen, S. & Matsumoto, D. 2006, “Favorable Versus Unfavorable Recommendations: The Impact on Analyst Access to Management-Provided Information”, *Journal of Accounting Research*, 44: 657-689.

Cronqvist, H. & Fahlenbrach, R. 2009, “Large Shareholders and Corporate Policies”, *Review of Financial Studies*, 22: 3941-3976.

Diamond, D. & Verrecchia, R. 1991, “Disclosure, Liquidity, and the Cost of Capital”, *Journal of Finance*, 66: 1325-1355.

Dodd, P. & Warner, J. 1983, “On Corporate Governance: A Study of Proxy Contests”, *Journal of Financial Economics*, 11: 401-438.

Alexander, D. & Zingales, L. 2004, “Private Benefits of Control: An International Comparison”, *Journal of Finance*, 59: 537-600.

Edmans, A. & Manso, G. 2010, "Governance Through Trading and Intervention: A Theory of Multiple Blockholders", *Review of Financial Studies*, forthcoming.

Elton, E., Gruber, M., & Gultekin, M. 1984, "Professional Expectations: Accuracy and Diagnosis of Errors", *Journal of Financial and Quantitative Analysis*, 19: 351-363.

Faccio, M., & Lang, L. 2002, "The Ultimate Ownership of Western European Corporations", *Journal of Financial Economics*, 65: 365-395.

Ferri, F. 2010. "Low-Cost Activism: A Review of the Evidence", In C. Hill & B. McDonnell (Eds.), *Research handbook on the economics of corporate law*. Elgar Publishers, forthcoming.

Finkelstein, S. 1992, "Power in Top Management Teams: Dimensions, Measurement, and Validation", *Academy of Management Journal*, 35: 505-538.

Frank, M. & Goyal, V. 2003, "Testing the Pecking Order Theory of Capital Structure", *Journal of Financial Economics*, 67: 217-248.

Gillan, S. & Starks, L. 1998, "A Survey of Shareholder Activism: Motivation and Empirical Evidence", *Contemporary Finance Digest*, 2: 10-34.

Gillan, S. & Starks, L. 2007, "The Evolution of Shareholder Activism in the United States", *Journal of Applied Corporate Finance*, 19: 55-73.

Hambrick D. & Mason P. 1984, "Upper Echelons: The Organization as a Reflection of its Top Managers", *Academy of Management Review*, 9: 193-206.

Harris, M. & Raviv, A. 2010, "Control of Corporate Decisions: Shareholders vs. Management", *Review of Financial Studies*, 23: 4115-4147.

Healy, P & Palepu, K. 2001, "Information Asymmetry, Corporate Disclosure, and the Capital Markets: A Review of the Empirical Disclosure Literature", *Journal of Accounting and Economics*, 31: 405-440.

Heckman J. 1981, "The Incidental Parameters Problem and the Problem of Initial Conditions in Estimating a Discrete Time-Discrete Data Stochastic Process", In C. Manski & D. McFadden (Eds), *Structural analysis of discrete data with econometric applications*: 179-195. MIT Press: Cambridge, MA.

Hirschman, A. 1971, "*Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States"*. Cambridge, MA: Harvard University Press.

Högfeldt, P. 2005, "The History and Politics of Corporate Ownership in Sweden". In R. Morck (Ed.), *The history of corporate governance around the world: Family business groups to professional managers*: 517–580. Chicago: University of Chicago.

Jensen, M. 1989, “Active Investors, LBOs, and the Privatization of Bankruptcy”, *Journal of Applied Corporate Finance*, 2: 235-244.

Jensen, M. & Zajac, E. 2004, “Corporate Elites and Corporate Strategy: How Demographic Preferences and Structural Position Shape the Scope of the Firm”, *Strategic Management Journal*, 25: 507-524.

Johnson, M. & Shackell, M. 1997, “Shareholder Proposals on Executive Compensation”, Working paper, University of Michigan.

Kahneman, D. & Tversky, A. 1979, “Prospect Theory: An Analysis of Decision under Risk”, *Econometrica*, 47: 263-291.

Karamanou, I. & Vafeas, N. 2005, “The Association Between Corporate Boards, Audit Committees, and Management Earnings Forecasts: An Empirical Analysis”, *Journal of Accounting Research*, 43: 453-486.

Karpoff, J., Malatesta, P., & Walkling, R. 1996, “Corporate Governance and Shareholder Initiatives: Empirical Evidence”, *Journal of Financial Economics*, 42: 365-395.

Khanna, T. & Rivkin, J. 2001, “Estimating the Performance Effects of Business Groups in Emerging Markets”, *Strategic Management Journal*, 22: 45–74.

Khanna, T. & Palepu, K. 2000, “The Future of Business Groups in Emerging Markets: Long-Run Evidence from Chile”, *Academy of Management Journal*, 43: 268-285.

Klein, A. 2002. “Audit Committee, Board of Director Characteristics, and Earnings Management”, *Journal of Accounting and Economics*, 33: 375–400.

Kanagaretnam, K., Lobo, G., & Whalen, D. 2007, “Does Good Corporate Governance Reduce Information Asymmetry Around Quarterly Earnings Announcements?”, *Journal of Accounting and Public Policy*, 26: 497-522.

Kothari, S., Laguerre, T., & Leone, A. 2002, “Capitalization Versus Expensing: Evidence on the Uncertainty of Future Earnings from Capital Expenditures Versus R&D Outlays”, *Review of Accounting Studies*, 7: 355-382.

Krishnaswami, S. & Subramaniam, V. 1999, “Information Asymmetry, Valuation, and the Corporate Spin-Off Decision”, *Journal of Financial Economics*, 53: 73-112.

La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. 1998, “Law and Finance”, *Journal of Political Economy*, 106: 1113-1155.

La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. 1999, “Corporate Ownership Around the World”, *Journal of Finance*, 54: 471-517.

Lang, M. & Lundholm, R. 1996, “Corporate Disclosure Policy and Analyst Behavior”, *Accounting Review*, 71: 467-492.

Leuz, C. & Verrecchia, R. 2000, “The Economic Consequences of Increased Disclosure”, *Journal of Accounting Research*, 38: 91-124.

Martin, J., Kensinger, J. & Gillan, S. 2000, “Value Creation and Corporate Diversification: The Case of Sears, Roebuck & Co”, *Journal of Financial Economics*, 55: 103-137.

Morck, R. 2009, “The Riddle of the Great Pyramids”, Working Paper 14858, National Bureau of Economic Research.

Mulherin, J. & Poulsen, A. 1998, “Proxy Contests and Corporate Change: Implications for Shareholder Wealth”, *Journal of Financial Economics*, 47: 279-313.

Nenova, T. 2003, “The Value of Corporate Voting Rights and Control: A Cross-Country Analysis”, *Journal of Financial Economics*, 68: 325-351

Nordén, L. & Strand, T. 2009, “Shareholder Activism among Portfolio Managers: Rational Decisions or 15 Minutes of Fame?”, *Journal of Management and Governance*, Published online: October 13, 2009.

Opler, T. & Sobokin, J. 1995, “Does Coordinated Institutional Activism Work? An Analysis of the Activities of the Council of Institutional Investors”, Working paper, Ohio State University and Southern Methodist University.

Petersen, M. 2009, “Estimating Standard Errors in Finance Panel Data Sets: Comparing Approaches”, *Review of Financial Studies*, 22: 435-480.

Poulsen, T., Strand, T., & Thomsen, S. 2010, “Voting Power and Shareholder Activism: A Study of Swedish Shareholder Meetings”, *Corporate Governance: An International Review*, 18: 329-343.

Renneboog, L. & Szilagyi, P. 2011, “The Role of Shareholder Proposals in Corporate Governance”, *Journal of Corporate Finance*, 17: 167-188.

Roberts, J., Sanderson, P., Barker, R., & Hendry, J. 2006, “In the Mirror of the Market: The Disciplinary Effects of Company/fund Manager Meetings”, *Accounting, Organizations and Society*, 31: 277-294.

Schilling, F. 2001, “Corporate Governance in Germany: The Move to Shareholder Value”, *Corporate Governance: An International Review*, 9: 148-151.

Shleifer, A. & Vishny, R. 1989, “Management Entrenchment: The Case of Manager-Specific Investments”, *Journal of Financial Economics*, 25: 123–139.

Shleifer, A. & Wolfenzon, D. 2002, "Investor Protection and Equity Markets", *Journal of Financial Economics*, 66: 3-27.

Short, H. & Keasey, K. 1999, "Managerial Ownership and the Performance of Firms: Evidence from the UK", *Journal of Corporate Finance*, 5: 79-101.

Smith, M. 1996, "Shareholder Activism by Institutional Investors: Evidence from CalPERS", *Journal of Finance*, 51: 227-252.

Sinani, E., Stafsudd, A., Thomsen, S., Edling, C., & Randøy, T. 2008, "Corporate Governance in Scandinavia: Comparing Networks and Formal Institutions", *European Management Review*, 5: 27-40.

Strickland, D., Wiles, K., & Zenner, M. 1996, "A Requiem for the USA: Is Small Shareholder Monitoring Effective?", *Journal of Financial Economics*, 40: 319-338.

Subrahmanyam, A. 2007, "Behavioral Finance: A Review and Synthesis", *European Financial Management*, 14: 12-29.

Talner, L. 1983, "The Origins of Shareholder Activism", Investor Responsibility Research Center Inc., Washington.

Tasker, S. 1998, "Bridging the Information Gap: Quarterly Conference Calls as a Medium for Voluntary Disclosure", *Review of Accounting Studies*, 3: 137-167.

Thomsen, S., Pedersen, T., & Kvist, H. 2006, "Blockholder Ownership: Effects on Firm Value in Market and Control Based Governance Systems", *Journal of Corporate Finance*, 12: 246-269.

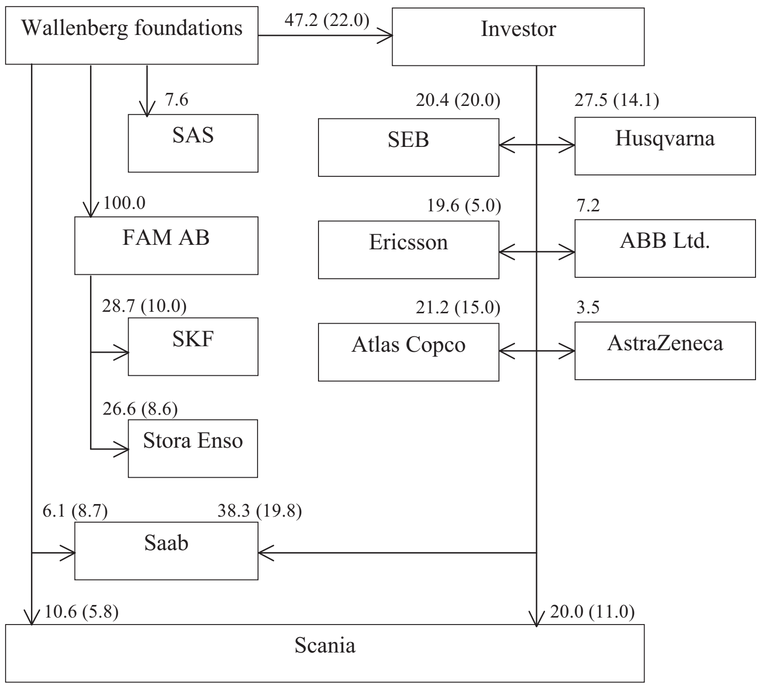
Tirole, J. 2006, *"The Theory of Corporate Finance"*, Princeton: Princeton University Press.

Woidtke, T. 2002, "Agents Watching Agents? Evidence from Pension Fund Ownership and Firm Value", *Journal of Financial Economics*, 63: 99-131.

Yermack, D. 2010, "Shareholder Voting and Corporate Governance", *Annual Review of Financial Economics*, 2: 103-125.

Zhou, X. 2001, "Understanding the Determinants of Managerial Ownership and the Link Between Ownership and Performance": Comment., *Journal of Financial Economics*, 62: 559-571.

Appendix A. The Wallenberg family firm. The numbers outside (inside) parentheses represent vote (capital) percentages. Source: *Owners and Power*, 2008.



Appendix B. Measuring amenability

- In this study, a firm's amenability to shareholder activism is measured by the sensitivity of the largest shareholder's voting power to increased participation by small shareholders.
- Voting power is the probability that a block of shares is pivotal for achieving control of a firm in a voting contest (Banzhaf, 1965). Formally, shareholder *i*'s voting power is

  $$\varphi_i = \frac{1}{2^{n-1}} \sum_{S \subseteq N, i \in S} [v(S) - v(S \setminus \{i\})],$$

  where S is a coalition of shareholders belonging $N=\{1,\ldots,n\}$, which is the group of shareholders participating in the meeting, and v is a value function equal to 0 (non-winning coalition) or 1 (winning coalition).
- For each firm, Banzhaf voting power indices are calculated in the following sequence:
  1. Only large shareholders (more than 1% of the voting rights) participate at the shareholder meeting (small shareholders free ride).
  2. One small shareholder (assumed to own 1% of the voting rights) is added and the voting power of the largest shareholder is recalculated.
  3. Step 2 is looped until the joint votes of all shareholders add up to 100%.
- Amenability is the average percentage decrease in the largest shareholder's voting power.

APPENDIX C: TABLE 2

Bivariate correlation matrix

	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
1. Number of proposals										
2. Asymmetric information	-0.060									
3. Dual-class shares	-0.120***	0.048								
4. Business group	0.107**	0.034	0.232***							
5. Board proposals	-0.277***	0.028	0.081*	0.020						
6. Amenability	-0.006	0.002	-0.224***	-0.239***	0.077*					
7. Stock market return	-0.069	0.024	0.036	-0.027	0.069	-0.016				
8. Return on equity	0.151***	-0.000	0.050	0.112**	0.131***	-0.056	0.239***			
9. Size	0.459***	0.053	0.078*	0.433***	0.098**	-0.137***	0.033	0.297***		
10. Value	0.031	-0.022	-0.050	0.159***	-0.024	-0.082*	0.009	0.118**	0.169***	
11. Leverage	0.030	0.040	-0.101**	-0.012	-0.066	0.081*	-0.008	0.087*	0.412***	0.054

Note: ***, **, and * indicate that the correlation coefficients are statistically significantly different from zero at the 1%, 5%, and 10% level.

Shareholder Activism among Portfolio Managers:

Rational Decisions or 15 Minutes of Fame?†

Lars Nordén and Therese Strand*

ABSTRACT

This paper investigates shareholder activism by observing Swedish portfolio managers' behavior at firms' annual general meetings. Institutional shareholders' voting behavior and tendencies for raising opinions at the general meetings are related to firm characteristics, suggested by both agency theory and institutional perspectives. The results show that institutional shareholders are more likely to be active in large firms, which appear a lot in media, and have a large proportion of institutional ownership. Portfolio managers appear not to consider bad firm performance as a reason for targeting firms. Instead, managers' behavior is consistent with the institutional notion that they benefit from the activism themselves, without trying to improve target firms' performance. In view of this notion, it is rational for managers to be active in large firms, with large media coverage, achieving their 15 minutes of fame at the general meetings.

Key words: Institutional shareholder activism; Target firms; Agency theory; Institutional theory

† This article is published in New Developments of Financial Modeling, J.O. Soares, J.P. Pina, M. Catalão-Lopes (Eds.), Cambridge Scholars Publishing (2008) and in a second version in Journal of Management and Governance, published online Oct.13th (2009).

* Please send correspondence to Therese Strand, Copenhagen Business School, Porcelænshaven 24A, 2000 Frederiksberg, Denmark, E-mail: ts.int@cbs.dk. Both authors are grateful to the Jan Wallander and Tom Hedelius foundation and the Tore Browaldh foundation for research support. Therese Strand is grateful for research support from the Centre for Business and Policy Studies (SNS), within the Corporate Governance Network in Stockholm. This study has benefited from comments and suggestions by Per-Olof Berg. We have also received valuable input from seminar participants at Stockholm University, the 2005 NFF Conference in Aarhus, and the 2006 Conference for Global Development of Corporate Governance in Birmingham.

1. INTRODUCTION

There is a current global trend of shareholdings shifting from private individuals with direct ownership to portfolio managers and institutions holding shares for the benefit of others (Agnblad et al., 2002, Brown, 1998, Menkhoff, 2002, Sias and Starks, 1998, Smith, 1996, Useem, 1993). The relative increase in institutional shareholdings has altered the power structures in listed firms as well as owners' agenda of corporate governance. As a consequence, corporate governance researchers are paying increasing attention to the role and responsibility of portfolio managers holding large stakes in listed firms. Moreover, current research is showing an increasing interest in shareholder activism in general and institutional shareholder activism in particular.[1]

Institutions' shareholder activism is defined in different ways by different authors.[2] In general, shareholder activism can be categorized into either formal or informal. Formal activism is those efforts that are made publicly, as e.g. shareholder proposals, actions taken at the annual general meetings, and initiatives to public debate. Informal activism is conducted behind the scenes in terms of private negotiations, and is, thus, not publicly visible.

This paper analyzes which firms become targets of institutional activism by observing institutions' actual behavior during firms' annual general meetings in 2004 and 2005. Target and non-target firm characteristics are compared using a sample of Swedish firms with substantial institutional holdings. By studying actions taken by shareholders at firms' annual general meetings, this study contributes to previous research since this type of activism is often neglected in studies of which firms become targets of activism. The Swedish corporate governance system is characterized by each firm having an owner-dominated nomination committee that prepares suggestions for the annual general meeting, e.g. the composition of the board of directors.[3] Since the largest owners gain substantial corporate insights and opportunities to have private negotiations with management through participation in these committees, shareholder proposals, which are one of the main tools for shareholder activism in other parts of the world, are extremely rare in Sweden. Instead, the annual general meeting is the primary arena for shareholder activism besides private negotiations in nomination committees.

We consider two measures of institutional investor activism: if an institutional owner votes against the board or another owner at the annual meeting or if the institution verbally raises an opinion at the annual meeting. Previous studies of formal institutional shareholder activism

[1] In line with Murphy and Van Nuys (1994), we define an institutional shareholder as a portfolio manager who is managing capital on the behalf of others, including state pension funds, private pension funds, insurance firms, and mutual funds.
[2] See e.g. Karpoff (2001). Using a common definition, Gillan and Starks (1998) state that an activist shareholder "tries to change the status quo through "voice", without a change in control of the firm".
[3] The nomination committee is responsible for preparing and making suggestions to the annual general meeting concerning the number of board members, chairman of the board, members of the board, compensation and incentive schemes for board members, choice of auditors, level of auditor fees, as well as choice of chairman for the annual general meeting.

typically focus on shareholder proposals to firms' annual meetings, either by multiple shareholders, mostly institutions (Del Guercio and Hawkins, 1999, John and Klein, 1995, Johnson and Shakell, 1997, Karpoff, et al., 1996, Prevost and Rao, 2000, Rehbein, et al., 2004, Strickland, et al., 1996, Tsui, 2000, Wahal, 1996, and Woods, 1996), or from a single portfolio manager organization (Carleton, et al., 1998, English, et al., 2000, Huson, 1997, Gillan, et al., 2000, Nesbitt, 1994, Opler and Sobokin, 1997, Safieddine, et al., 2000, Smith, 1996, and Wu, 2000). Such proposals are rare in Sweden, but institutional shareholders exercise real power through voting procedures at annual meetings if their holdings are large. In addition, they have the possibility to influence the decision-making process by asking questions and raising opinions, even in cases when they hold only smaller stakes.

In a survey article, Karpoff (2001) concludes that the empirical research is rather consistent about the characteristics of firms attracting activist efforts. However, the research on shareholder activism is traditionally based on agency theory, indicating that activism is a tool for owners to monitor management, and thus restrict their possibilities to act in their own interests (Jensen and Meckling, 1976). Nevertheless, several studies have elaborated on the notion that other concerns than monitoring underlies the actions taken by portfolio managers (Gorton and Kahl, 1999, Kahn and Winton, 1998, Murphy and Van Nuys, 1994). Following DiMaggio and Powell (1983) and Meyer and Rowan (1977), we recognize that portfolio managers may possess a wider repertoire of underlying objectives than is recognized by agency theory, since they are also confined to comply with institutional pressures such as culture, societal expectations and other factors which affect their own organization. Therefore, as a further contribution to previous research, target and non-target firm characteristics are examined from a dual perspective, including both agency theory rationales such as firm performance, share price development and ownership structure, and explanatory variables emanating from institutional theory, e.g. firm size and media exposure.

Our empirical results are consistent with institutions preferring to be relatively more active in large firms that appear a lot in media, and for which the proportion of institutional ownership is relatively large. Interestingly, institutions appear not to consider bad firm performance, in terms of either stock return or accounting measures, as a reason for targeting firms for activism. Moreover, it is difficult to reconcile a large number of firms' media appearances with rational reasons for institutional owner activism, as predicted by agency theory. Instead, the activism behavior of institutions is consistent with the note from Murphy and Van Nuys (1994) who argue that portfolio managers benefit from the activism themselves, without focusing on and trying to improve target firms' performance. In view of this notion, it is rational for institutions to choose to be active in large firms with large media coverage, to get into the spotlight, appearing to care about shareholder value.

In the following section previous research on target and non-target firms is reviewed and discussed, and the characteristics of the Swedish corporate governance system are outlined. In section three, data and descriptive statistics are presented, before analyzing the regression results in section four. The final section summarizes and discusses the main conclusions in the light of the raised theoretical issues.

2. TARGETING AND UNDERLYING OBJECTIVES

2.1 Shareholder activism and target firm characteristics

Following an agency theoretical perspective (see Jensen and Meckling, 1976), shareholder activists are viewed as monitors whose efforts aim to solve control and incentive problems arising from owners and firm managers having different interests. Shareholders are considered to be financially rational agents seeking maximum returns on their investments. Accordingly, they engage in activism to limit management from taking aberrant actions and to ensure that decisions are made in shareholders' interests. Within this theoretical framework, shareholders' efforts occur when expected benefits from activism exceed estimated costs (Admati et al., 1994, Pozen, 2003).

Agency theory is the dominating perspective within corporate governance research. Therefore, targeting is considered to be a monitoring effort, exerted for the purpose of increasing shareholder value to achieve maximum investment returns. Consequently, activists' efforts should primarily be directed at under-performing firms and issues where the stock price is directly at stake (Pozen, 2003). To some extent, empirical findings show diverging results on which firms become targets of activism. Regarding stock price performance, some studies show no significant difference between targeted and non-targeted firms' market-adjusted stock returns (Bizjak and Marquette, 1997, Carleton, et al., 1998, Smith, 1996), while others find that targeted firms' stock returns are lower than market returns (Opler and Sobokin, 1997, Strickland, et al., 1996, Wahal, 1996). Analyzing control-firm adjusted stock returns, Karpoff, et al. (1996) find no differences between targeted and non-targeted firms, while Opler and Sobokin (1997) find that target firms have significantly lower stock returns than their peers.

Using accounting measures of firm performance, previous findings are also contradictory. Some studies indicate that targeted firms are poor performers with low returns to sales, low sales growth and low growth rates in operating income (Bizjak and Marquette, 1997, Johnson and Shackell, 1997, Karpoff et al, 1996). Moreover, Bizjak and Marquette (1998) and Karpoff et al. (1996) find that target firms have low market-to-book ratios, while Johnson and Shackell (1997), Smith (1996) and Strickland et al (1996) find no significant differences between target and non-target firms' market-to-book ratios.

Several studies consider other firm characteristics than performance for determining the likelihood of a firm being targeted by shareholder activism, e.g. firms' ownership structure and size. Again, the results are mixed. A few studies report that the probability of firms being targeted with shareholder proposals is significantly affected by the percentage of portfolio managers' holdings (Bizjak and Marquette, 1997, Carleton et al., 1998, Johnson and Shackell, 1997, Karpoff et al., 1996, Smith, 1996), while John and Klein (1995) find no significant difference between targets and non-targets in this aspect. Bizjak and Marquette (1997), John and Klein (1995) and Smith (1996) find that firm size is significantly positively related to the probability of shareholder proposals. Moreover, Strickland et al. (1996) and Johnson and Shackell (1997) find no significant difference in size between target and non-target firms, while Karpoff et al. (1996) find that size reduces the probability of targeting.

Karpoff (2001) argues that these divergences in empirical findings originate from different data sets and definitions of activism, but the range of motives and the underlying objectives of shareholder activism could also be wider than previously recognized. For example, Rao (2001) shows that shareholders repeatedly use activist efforts even when their holdings are trivial, few others share their concerns, and despite knowing that their actions will have little or no effect on corporate decisions. These findings strengthen the conjecture that activism is due to underlying objectives other than agency theory related monitoring. Murphy and Van Nuys (1994) argue that portfolio managers represent organizations with the same agency and incentive problems as the firms in which they invest. In line with agency theory, portfolio managers are therefore just as likely to engage in opportunism as every other manager and might use activism to pursue other goals than those beneficial for the target firms.

A competing view to agency theory is that shareholder activists target firms for other reasons than monitoring and maximizing shareholder value. Meyer and Rowan (1977) and DiMaggio and Powell (1983) postulate that organizations wish to comply with external normative pressures such as culture, law, politics, informal codes of conduct, and societal expectations to gain legitimacy as business actors. Thus, organizations must convince society and the public that they are legitimate entities worthy of support in order to survive (Mizruchi and Fein, 1999). In line with this institutional theory, Romano (1993) argues that activist efforts sometimes arise e.g. among public pension funds, where managers wish to pursue political or socially motivated objectives. Pozen (2003) reports that portfolio managers tend to direct activist efforts towards governance matters and procedural frills despite the fact that such issues prove not to be significantly correlated with either stock price or net income. Carleton et al. (1998) find that fund managers' activism is often directed at gender equality at the board of directors although the issue is associated with a decline in share value. In addition, John and Klein (1995) report that the likelihood of being targeted is significantly affected by the percentage of independent directors on the board, which according to Bhagat and Black (1998) is not unambiguously linked to firms' financial performance and development.

2.2 Corporate governance and shareholder activism in Sweden

Most studies of shareholder activism are conducted in Anglo-Saxon countries like the U.S. and U.K. Hence, it is interesting per se to study the subject in a governance system with other than Anglo-Saxon characteristics. Moreover, focusing on the Swedish governance system is particularly interesting because the Swedish system triggers shareholders to perform different forms of activism compared to in e.g. the U.S. or the U.K. In Anglo-Saxon countries, shareholder proposals is the dominating tool for shareholder activists while in Sweden this type of activism is virtually non-existent. The Swedish corporate governance system borrows heavily from Continental European features. Moreover, shareholder activism is conducted primarily at annual general meetings and in private negotiations with management.

Considering the system as a whole, two fundamental differences between Sweden and the Anglo-Saxon countries that affect which activist efforts are taken are highlighted. First, the structure of corporate control differs. Over the last decades, portfolio managers' relative share of the total shareholding capital has increased considerably in Anglo-Saxon as well as Continental European countries. Sweden is no exception to this development. But while the Anglo-Saxon system is characterized by dispersed ownership structures, Swedish firms exhibit very concentrated control structures with a strong separation between ownership and control. A single shareholder, a private individual or a family, often contributes with a minor part of the capital but controls a majority of the votes. This is made possible through dual-class shares and pyramid holdings. Thus, in a typical Swedish firm, portfolio managers might be providing a majority of the capital while control often is concentrated in the hands of private individuals. Portfolio managers are thereby forced to a strategy of convincing other shareholders to vote in favor of their suggestions in order to affect corporate decisions. Thus, discussions, negotiations and co-operation are crucial elements to succeed with activist efforts and the annual general meeting provides an open arena for shareholders to set the firm agenda and participate in such discussions.

Second, another fundamental characteristic of the Swedish corporate governance system is the importance of social control and informal mechanisms. Strong separation between ownership and control of firms, as is the case in Sweden, has in other countries been shown to be vulnerable to minority abuse. Still it is difficult to find examples of such violations in Sweden. Agnblad et al. (2002) argue that social status discourages abuse of minority shareholders since it is "an important, even dominant, part of the total benefits associated with control of large corporations in Sweden". Thus, the societal expectations on corporate owners are strong and many large shareholders, private individuals as well as portfolio managers, try to build legacy for themselves as responsible contributors to socially worthy causes. This gives mass media an important role for at least two reasons. First, it serves as a channel through which activist efforts can be promoted, and thus gives portfolio managers time in the limelight. Second, it announces the corporate issues in focus at the time, and thereby potentially makes target selection easy for activists if efforts are taken solely in order to market themselves as organizations.

The dual characteristics of the Swedish corporate governance system; the role of fund managers as providers of capital to privately control firms along with the desire to comply with strong social pressures and expectations, are two unique features which motivate studying activist efforts taken against Swedish firms.

3. DATA SOURCES AND DESCRIPTIVE STATISTICS

3.1 Data

The empirical analysis is based on data collected from multiple sources for the years 2004 and 2005. The occurrence of activist efforts by portfolio managers is explored through minutes from Swedish firms' annual general meetings. In line with Murphy and Van Nuys (1994), we define an institutional owner as a portfolio manager who is managing capital on behalf of others, including state pension funds, private pension funds, insurance firms, and mutual funds. The study is restricted to comprise Swedish portfolio managers, holding shares in Swedish firms. Institutions without any employees working with governance issues are excluded, since these organizations openly state that they do not intend to practice activism, but simply rely on exit strategies. In all, the institutions in the sample hold shares with a total market value of around ten billion SEK.[4]

We select firms among all firms listed at the Stockholm Stock Exchange. To be included in the sample, each firm must have at least one institutional investor among the 25 largest owners at the time of the annual general meeting. This comprises a total number of 386 firms. Minutes from the annual general meetings are collected from each firm's webpage whenever the minutes had been posted there, and for all others by a request sent to each firm by e-mail and followed by a reminder three weeks after the first request. The sample consists of 220 minutes from 130 firms. 90 firms are in the sample for both years. Altogether, 96 minutes have been received from annual general meetings in 2004 and 124 minutes from 2005.

As a measure of a firm's media exposure, a count of how many times the firm appears in major Swedish daily and business newspaper articles is performed using the Affärsdata database. We include all articles with each firm's name in the headline that are published up to one year prior to each year's annual general meeting. In addition, data on firm characteristics are collected from firms' annual reports and the Stockholm Stock Exchange.

3.2 Descriptive statistics

Table 1 provides descriptive statistics for target and non-target firms in the sample, and for the two measures of shareholder activism. Panel A contains descriptive statistics for firms targeted by portfolio managers' acting through voting against the board or another owner, whereas Panel B encloses corresponding statistics using our wider definition of portfolio managers' activism, i.e. they are either voting against the board or another owner, or raising an opinion at the annual meeting.

Using the Panel A definition of activism, 25 firms (11.36 percent) out of our 220 sample firms are targeted by fund managers. The target and non-target firms show no significant differences in

[4] The definition of institutional shareholders does not include hedge funds, simply because no hedge fund was among the 25 largest owners of the sample firms.

mean or median prior year's raw return or market-adjusted mean return (at the five percent level). Hence, portfolio managers' target firms with on average the same performance as the corresponding non-target firms, which is inconsistent with the agency theory. Moreover, in Panel A of Table 1, the mean and median measures of accounting performance, book return on equity, and market-to-book value of equity, are not significantly different between target and non-target firms. Again, these results are not consistent with portfolio managers considering bad performance as a reason for shareholder activism.

On the other hand, portfolio managers' target firms are significantly larger than non-target firms. Mean (median) book value of assets for target firms is significantly higher than for non-target firms at a very low significance level. Moreover, target firms have a significantly higher mean and median proportion of institutional ownership than non-target firms. The mean (median) ownership proportion of all institutional investors is 0.19 (0.18) for target firms and only 0.11 (0.10) for non-target firms. In addition, the target firms on average appear significantly more often in the media relative the non-target firms, as the mean (median) occurrence in media equals 64 (19) times for the target firms and 17 (5) times for the non-target firms. The descriptive statistics in Panel A of Table 1 are supporting the view that portfolio managers are exerting activism by voting against the board or another owner at the general meetings due to other reasons than predicted by agency theory.

The descriptive statistics in Panel B of Table 1 are similar to the ones in Panel A. When activism is defined as voting against the board or another owner, or raising an opinion at the annual meeting, fund managers target 39 firms (17.73 percent) out of the 220 sample firms. Although the broader definition of shareholder activism is used, portfolio managers' target and non-target firms are not showing significantly different performance, financial or accounting based, but target firms show significantly higher proportion of institutional ownership, larger size, and higher media exposure than non-target firms. Overall, the descriptive statistics are hard to reconcile with rational behavior according to agency theory.

4. REGRESSION RESULTS

To identify the relative importance of rational performance and institutional attributes that characterizes fund managers' target and non-target firms, we estimate two probit regressions, representing two measures of investor activism. In the first probit regression the dependent variable is equal to one if a fund manager has voted against the board or another owner at the firm annual meeting, and zero otherwise. Similarly, the second probit regression is run using the more broad definition of investor activism, where the dependent variable equals one if a fund manager has voted against the board or another owner, and/or raised an opinion, at the annual meeting, and zero otherwise. Both regressions contain the same set of explanatory variables, including performance and institutional attributes of the target/non-target firms. Accordingly, each measure of shareholder activism is related to two accounting measures of financial performance (book return on equity, ROE, and the ratio of market-to-book value of equity), a stock price performance measure (prior year's market adjusted stock return), firm size (the natural logarithm of book value of assets), and the proportion of institutional ownership to capture a firm governance characteristic. Moreover, we include the number of times each firm has appeared in media during the prior year, and an indicator variable for the year 2005.

Table 2 contains the results from the two probit regression estimations. For each regression model, Table 2 presents estimated coefficients, significance levels (*p*-values), and marginal effects for the explanatory variables. The first regression, where activism is measured as active voting at the firm annual meeting only (the column labeled "Vote against" in Table 2), achieves a pseudo R-squared value of 0.33, indicating that the explanatory variables together account for 33 percent of the variability in the activism decision. Moreover, the proportion of correctly predicted outcomes using the probit model, and a classification cutoff equal to 0.5, equals 0.90. The rather high values of R-squared and the proportion correctly predicted outcomes together demonstrate an excellent model goodness of fit for explaining shareholder activism.

Portfolio managers' decisions to pursue activism by voting against the board or other owners is significantly negatively related to the annual indicator variable, at any reasonable significance level, indicating that activism was more likely to occur during the 2004 relative the 2005 annual meetings. The associated marginal effect roughly equals -0.13. Hence, ceteris paribus, the probability of this type of activism occurring in 2005 is on average 13 percent lower than the corresponding probability in 2004. Moreover, the "voting against" activism decision is not significantly related to either stock market performance, or the two accounting performance measures (ROE and market-to-book value of equity). These results suggest no evidence to support the rational view that portfolio managers target low-performing firms. On the other hand, activism is positively related to the institutional firm ownership proportion at the one percent significance level, and to firms' media appearance rate at the five percent level, confirming the results from the descriptive statistics in Panel A of Table 1.

The results from the second probit regression, where activism is measured as voting against the board or other owners and/or raising an opinion at the annual meeting, are also presented in Table 2 (column labeled "Vote against and/or raise opinion"). Although the explanatory power of the second regression model, as measured by both the pseudo R-squared value and the proportion of correctly predicted outcomes, is lower than for the first, most explanatory variables enter with the same signs and similar degrees of significance. The only noteworthy difference is the coefficient of media appearance variable, which is not significantly different from zero in the second regression model.

The results from Table 2 are consistent with portfolio managers choosing to be relatively more active in large firms, for which the proportion of institutional ownership is relatively large, and appear frequently in media. Interestingly, portfolio managers appear not to consider bad firm performance, in terms of either stock return or accounting measures, as a reason for targeting firms for activism. Moreover, it is difficult to reconcile a large number of firms' media appearances with agency theory related reasons for institutional owner activism. Instead, the activism behavior of institutions is consistent with institutional theory, and the note from Murphy and Van Nuys (1994) who argue that fund managers might benefit from the activism themselves, without focusing on and trying to improve target firms' performance. In view of this notion, it is rational for fund managers to choose to be active in large firms, with greater media coverage, for being in the spotlight, appearing to care about shareholder value.

5. CONCLUDING REMARKS

Reconsidering our empirical results we find important insights pertaining to our assumption of activist efforts being taken for other reasons than financial rationality. We find evidence of legitimacy seeking, as activism seems to be directed primarily towards large and visible firms with several institutional owners, while firm performance does not appear to be considered when making targeting decisions. Thus, the empirical data support the belief that shareholder activism is not used to monitor firm management but to gain societal legitimacy and position fund manager organizations as responsible corporate actors worthy of support.

We recognize that it is not possible to exclude that actions are taken for more than one single reason. Actions can be taken with the purpose of seeking legitimacy by receiving public attention for the actions undertaken and at the same time having a monitoring effect on firm management, and vice versa. However, our empirical findings support the idea of legitimacy seeking rather than monitoring as being the first and major underlying objective of activist efforts, and we conclude that agency theory assumptions of monitoring being the only reason for engaging in shareholder activism fails to explain the activism conducted and investigated in our empirical study. The findings imply that publicly visible shareholder activism is an arena for organizational positioning, where portfolio managers can receive time in the limelight to promote themselves as responsible corporate actors, even without focusing on financial rationales.

REFERENCES

Admati, A., Pfleiderer, P., Zechner, J., 1994, "Large Shareholder Activism, Risk Sharing and Financial Market Equilibrium", *Journal of Political Economy* 102, 1097-1130.

Agnblad, J., Berglöf, E., Högfeldt, P., Svancar, H., 2002, *"Ownership and Control in Sweden: Strong Owners, Weak Minorities, and Social Control"*. In Barca, F., Becht, M. (eds.), "The Control of Corporate Europe", Oxford University Press.

Bhagat, S., Black, B., 1998, *"The Uncertain Relationship Between Board Composition and Firm Performance, Corporate Governance: The State of the Art and Emerging Research"*, In K. Hopt, M. Roe, and E. Wymeersch (eds.), Oxford University Press.

Bizjak, J., Marquette, C., 1998, "Shareholder Proposals to Rescind Poison Pills: All Bark and No Bite", *Journal of Financial and Quantitative Analysis* 33, 499-523.

Brown, H., 1998. "What Do Institutional Investors Really Want?" *Corporate Board* 17, 5-10.

Carleton, W., Nelson, J., Weisbach, M., 1998, "The Influence of Institutions on Corporate Governance through Private Negotiations: Evidence from TIAA CREF", *Journal of Finance* 53, 1335-1362.

Del Guercio, D., Hawkins, J., 1999, "The Motivation and Impact of Pension Fund Activism", *Journal of Financial Economics* 52, 293-340.

DiMaggio, P., Powell, W., 1983, "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields", *American Sociological Review* 48, 147-160.

English, P., Smythe, T., McNeil, C., 2000, "The Role of Return Reversal in the 'CalPERS Effect'", Working Paper, Texas Tech University.

Estrella, A., 1998, "A New Measure of Fit for Equations with Dichotomous Dependent Variables", *Journal of Business and Economic Statistics* 16, 198-205.

Gillan, S., Starks, L., 1998, "Relationship Investing and Shareholder Activism by Institutional Investors", Working Paper, University of Texas at Austin.

Gillan, S., Starks, L., 2000, "Corporate Governance Proposals and Shareholder Activism: The Role of Institutional Investors". *Journal of Financial Economics* 57, 275-305.

Gorton, G., Kahl, M., 1999, "Blockholder Indentity, Equity Ownership Structure and Hostile Takeovers", *NBER Working Paper* 7123.

Huson, M., 1997, "Does Governance Matter? Evidence from CalPERS Interventions", Working Paper, University of Alberta.

Jensen, M., Meckling, W., 1976, “Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure”, *Journal of Financial Economics* 3, 305-360.

John, K., Klein, A., 1995, “Shareholder Proposals and Corporate Governance”, Working Paper, New York University.

Johnson, M., Shackell, M., 1997, “Shareholder Proposals on Executive Compensation”, Working Paper, University of Michigan.

Kahn, C., Winton, A., 1998, “Ownership Structure, Speculation and Shareholder Intervention”, *Journal of Finance* 53, 99-129.

Karpoff, J., Malatesta, P., Walkling, R., 1996, “Corporate Governance and Shareholder Initiatives: Empirical Evidence”, *Journal of Financial Economics* 42, 365-395.

Karpoff, J., 2001, “The Impact of Shareholder Activism on Target Companies: A Survey of Empirical Findings”, Working Paper.

Gillan, S., Kensinger, J., Martin, J., 2000, “Value Creation and Corporate Diversification: The Case of Sears, Roebuck & Co”. *Journal of Financial Economics* 55, 103-137.

Menkhoff, L., 2002, “Institutional Investors: The External Costs of a Successful Innovation”, *Journal of Economic Issues* 36, 907-933.

Meyer, J., Rowan, B., 1977, “Institutionalized Organizations: Formal Structure as Myths and Ceremony”, *American Journal of Sociology* 83, 340-363.

Mizruchi, M., Fein, L., 1999. „The Social Construction of Organizational Knowledge: A Study of the Uses of Coercive, Mimetic, and Normative Isomorphism”, *Administrative Science Quarterly* 44, 653-683.

Murphy, K., Van Nuys, K., 1994, “State Pension Funds and Shareholder In-Activism”, *Working Paper*, Harvard Business School.

Nesbitt, S., 1994, “Long Term Rewards from Shareholder Activism: A Study of the CalPERS Effect”, *Journal of Applied Corporate Finance* 6, 75-80.

Opler, T., Sobokin, J., 1995, “Does Coordinated Institutional Activism Work? An Analysis of the Activities of the Council of Institutional Investors”, Ohio State University and Southern Methodist University Working Paper.

Pozen, R., 2003, “Institutional Perspective on Shareholder Nominations of Corporate Directors”, Discussion Paper, Harvard John M. Olin Center for Law, Economics and Business.

Prevost, A., Rao, R., 1998, “Of What Value are Shareholder Proposals Sponsored by Public Pension Funds?”, Working Paper, Texas Tech University.

Rao, H., 2001, “Gadflies and Corporate Behaviour”, Working Paper, Emory University, Atlanta, CA.

Rehbein, K., Waddock, S., Graves, S., 2004, “Understanding Shareholder Activism: Which Corporations Are Targeted?”, *Business & Society* 43, 239-267.

Rivers, D., and Vuong, Q., 1988, “Limited Information Estimators and Exogeneity Tests for Simultaneous Probit Models”, *Journal of Econometrics* 39, 347-366.

Romano, R., 1993, “Public Pension Fund Activism in Corporate Governance Reconsidered”, *Columbia Law Review* 93, 795-853.

Safieddine, A., Song, W-L., Szewczyk, S., 2000, “Does Coordinated Institutional Activism Reverse the Fortune of Underperforming Firms?”, Working Paper, Michigan State University.

Sheskin, D., 1997, *“Parametric and Nonparametric Statistical Procedures”*. Boca Raton: CRC Press.

Sias, R., Starks, L., 1998, “Institutional Investors in Equity Markets”, Working Paper, Washington State University.

Smith, M., 1996, “Shareholder Activism by Institutional Investors: Evidence from CalPERS”, *Journal of Finance* 51, 227-252.

Strickland, D., Wiles, K., Zenner, M., 1996, “A Requiem for the USA – Is Small Shareholder Monitoring Effective?”, *Journal of Financial Economics* 40, 319-338.

Tsui, R., 2000, “On the Effectiveness of Pension Fund Activism”, Working Paper, ULCA.

Useem, M., Bowman, E., Myatt, J., Irvine, C., 1993, “US Institutional Investors Look at Corporate Governance in the 1990’s”, *European Management Journal* 11, 175-189.

Wahal, S., 1996, “Pension Fund Activism and Firm Performance”, *Journal of Financial and Qualitative Analysis* 31.

White, H., 1980, “A Heteroskedasticity-Consistent Covariance Matrix Estimator and a Direct Test for Heteroscedasticity”, *Econometrica* 48, 817-838.

Woods, J., 1996, “The Effects of Pension Fund Activism on Corporate Performance: Evidence from Shareholder Proposals”. Ph.D. Dissertation, Texas A&M University.

Wu, Yi Lin, 2000, “Honey, CalPERS Shrank the Board!”, Working Paper, Hong Kong University of Science and Technology.

Table 1: Mean and median sample attributes for institutions' target and non-target firms

	Target firms		Non-target firms			
Variable	Mean	Median	Mean	Median	*t*-test	*W*-test
Panel A: Investor activism, targeting firms by voting against the board or another owner						
Prior year's stock return	0.4372	0.3326	0.3464	0.2727	0.3810	0.1239
Prior year's market adjusted stock return	0.2910	0.1896	0.1868	0.1256	0.3186	0.0887
Book value of assets	1.58e+11	2.04e+10	3.91e+10	2.43e+09	0.0073	0.0002
Book return on equity (ROE)	0.0603	0.1109	0.0569	0.1183	0.9636	0.1681
Market-to-book value of equity	2.6157	1.7435	2.5806	2.1654	0.9291	0.3184
Proportion of institutional ownership	0.1896	0.1840	0.1146	0.0950	0.0001	0.0000
Number of times in media	63.680	19.000	17.37	5.0000	0.0000	0.0015
Number of firms	25	25	195	195		
Panel B: Investor activism, targeting firms by voting against the board or another owner and/or raising an opinion						
Prior year's stock return	0.3506	0.2710	0.3580	0.2831	0.9311	0.7184
Prior year's market adjusted stock return	0.1979	0.1231	0.1988	0.1370	0.9918	0.6472
Book value of assets	2.20e+11	3.16e+10	1.65e+10	2.35e+09	0.0000	0.0000
Book return on equity (ROE)	0.0546	0.1020	0.0579	0.1187	0.9580	0.0844
Market-to-book value of equity	2.5664	1.8138	2.5886	2.2057	0.9459	0.2667
Proportion of institutional ownership	0.1843	0.1810	0.1099	0.0860	0.0000	0.0000
Number of times in media	58.128	18.000	14.989	5.000	0.0000	0.0000
Number of firms	39	39	181	181		

Investor activism is measured in two ways: as an indicator variable equal to one if the institution has voted against the board or another owner (Panel A), and as an indicator variable equal to one if the institution has voted against the board or another owner, and/or raised an opinion at the annual meeting (Panel B). The attributes' variables are: each firm's prior year's raw and market adjusted stock returns, the firm book value of assets, each firm's market-to-book value of equity, the proportion of institutional ownership of each firm, and the number of times each firm has appeared in media during the prior year. The last two columns contain *p*-values from a *t*-test for equality between means and a Wilcoxon rank sum test for equality between medians, between the target and non-target firm values. The Wilcoxon *p*-values are based on the asymptotic normal approximation outlined in Sheskin (1997).

Table 2: Results from the probit model of institutional investors' targeting of firms

	Investor activism			
	Vote against		Vote against and/or raise opinion	
Explanatory variables	Coefficient	Marg. Effect	Coefficient	Marg. Effect
Constant	-5.1023	-0.4847	-6.3849	-1.2989
	(0.0031)		(0.0001)	
Indicator variable for 2005	-1.3609	-0.1293	-0.5854	-0.1191
	(0.0007)		(0.0152)	
Prior year's market adjusted stock return	0.1085	0.0103	-0.0935	-0.0190
	(0.6595)		(0.6903)	
Ln(book value of assets)	0.1557	0.0148	0.2226	0.0453
	(0.0407)		(0.0023)	
Book return on equity (ROE)	0.0497	0.0512	-0.3409	-0.0694
	(0.8064)		(0.1850)	
Market-to-book value of equity	0.0526	0.0050	0.0449	0.0091
	(0.3890)		(0.4172)	
Proportion of institutional ownership	3.8938	0.3699	4.0050	0.8147
	(0.0029)		(0.0001)	
Number of times in media	0.0039	3.71e-4	0.0027	5.56e-4
	(0.0323)		(0.1559)	
Proportion correctly predicted	0.8991		0.8716	
Pseudo R-squared	0.3323		0.2620	

Investor activism is measured in two ways: as an indicator variable equal to one if the institution has voted against the board or another owner (Vote against), and as an indicator variable equal to one if the institution has voted against the board or another owner, and/or raised an opinion (Vote against and/or raise opinion) at the annual meeting. Explanatory variables in the probit model estimations are: an indicator variable for 2005 (where the base year is 2004), each firm's prior year's market adjusted stock return, the natural log of firm book value of assets, each firm's market-to-book value of equity, the proportion of institutional ownership of each firm, and the number of times each firm has appeared in media during the prior year. Each model uses the Huber-White quasi-maximum likelihood standard errors (see White, 1980). The estimated coefficients are presented for each explanatory variable, with *p*-values in parentheses, alongside corresponding marginal effects. Proportion correctly predicted refers to the relative number of correct classifications from each model. Accordingly, correct classifications occur if the predicted probability > 0.5, and the observed dependent variable equals one, or when the predicted probability ≤ 0.5, and the observed dependent variable equals zero. Pseudo R-squared corresponds to the measure of fit from Estrella (1998).

American Activism Abroad:

Behavioral Replication in Foreign Markets

Therese Strand*

ABSTRACT

This study deals with cross-border voting by American state pension funds. Despite that the importance of institutional investors is well recognized, cross-border activism has gone nearly unnoticed in academic literature. In this study we empirically investigate American state pension funds' activism abroad, exploring potential replications in voting behaviour across legal settings. The results show that having published an investment policy significantly increases the number of votes against routine proposals, while having a domestic proxy voting policy significantly decreases them. Domestic voting policy also significantly decreases the number of votes against non-routine proposals, while having an international voting policy or relying on proxy voting recommendations are insignificant as explanatory variables for cross-border voting patterns. The results suggest that cross-border voting patterns reflect how informed investors are, and that less informed investors tend to vote against board proposals systematically.

Keywords: Institutional investors, shareholder activism, cross-border voting, proxy voting, proxy advisors, corporate governance.

* Please send correspondence to ts.int@cbs.dk. The author is grateful to the Center for Corporate Governance in Copenhagen, Denmark for research funding. The author is also grateful to the Jan Wallander and Tom Hedelius foundation, the Tore Browaldh foundation, and the Centre for Business and Policy Studies, within the Corporate Governance Network in Stockholm for research funding on previous projects from which data has also become useful here. Valuable help and comments have been received from Mark Roe, Steen Thomsen, Randall Thomas, Thomas Poulsen, Rolf Skog, Carl Svernlöv, Gunnar Nord, Lars Nordén and seminar participants at Vanderbilt Law School. Thanks also to a number of listed firms for granting access to non-public voting records.

I. INTRODUCTION

Cross-border voting is on the rise. Following increased internationalization, foreign investors – primarily institutional, now constitute the largest ownership category in Europe. Available data reports significant differences in voting turnout between foreign and domestic shareholders (de Jong et al, 2007). Low voting turnout among foreign investors has been interpreted as an indication of obstacles associated with cross-border activism (Mallin, 2002; Winter, 2004; Zetzsche, 2008). Consequently, the European Commission has stressed the need for alignment of shareholder rights in the European market to facilitate increased involvement in corporate decision making by foreigners (Directive 2007/36/EC; Commission Green Paper 2010; Commission Green Paper 2011). The Commission particularly addresses ways to facilitate activism by institutional investors[1]; through simplified proxy voting regulation, introduction of electronic tools for long-distance participation at general meetings, and removal of barriers for cross-border voting.

Active owners are crucial for the well-being of firms and the creation of long-term sustainable returns, as informed investors with active ownership strategies can prevent potential mismanagement of invested capital, and thus, agency costs (see Jensen and Meckling, 1976). The opportunity to exercise voting rights is also a fundamental part of property rights, as voting rights compensate shareholders for incomplete contracts (Baums, 2000). Proxy voting by institutional investors is widely recognized and elaborated on (see Bizjak and Marquette, 1998; Gillan and Starks, 1998; Gordon and Pound, 1993). However, previous research concerns primarily domestic activism, as institutions vote stock held in their home market.

This paper studies how institutional investors, in terms of state pension funds and retirement systems, with legal belonging in the United States proxy vote in firms listed outside the United States. For transparency reasons, Sweden constitutes the foreign market of investigation. Based on transcripts from annual general meetings in all large and mid cap firms we empirically investigate the frequency and nature of cross-border voting using panel data over three (five) years, in relation to fund characteristics. This is made possible as a large number of Swedish firms do not employ confidential voting. Transcripts of general meetings offer information on what proposals are voted against by individual investors, as well as the voting investor's identity. This allows us to identify and single out US state funds and retirement systems. Proxies are constructed to measure

[1] Institutional investors – pension funds, life insurance companies, state pension reserve funds, and sovereign wealth funds, are singled out by the European Commission as particularly important investor categories to accommodate in the corporate governance system. This is motivated by investors with long-term responsibilities towards beneficiaries having the strongest interest in long-term value creation, and thus, the strongest incentives to engage in monitoring (EU Green Paper, 2011).

the institutional voting strategy, which is then related to voting decisions by each individual fund and firm year.

Following Gillan and Bethel (2000) we differ between routine and non-routine proposals although with a slightly different definition to accommodate the decisions required to be taken at the general meeting by Swedish corporate law. Routine proposals are here defined as those that are legally mandatory for the general meeting to decide upon (thus, proposals/decisions that cannot be included or excluded by choice of the board/management). Examples include ratification of financial statements, election of board and auditor, board remuneration (excluding incentive plans) etc. Non-routine proposals are all proposals not considered routine, and which are filed on the board/management's initiative. This distinction is motivated by routine proposals as a general rule attracting more votes in favor than non-routine proposals (Gillan and Bethel, 2000). The paper also examines proxy voting down to proposal-specific level, thus, distinguishing between specific proposal topics.

Empirical research on cross-border voting by institutional investors is scarce. At the current state, little is known about the nature, scope, and extent of this type of activism. Still, with internationalization of institutional holdings our understanding of cross-border activism becomes increasingly more important. Previous research also shows that good governance practices travel around the world with international investments by institutional investors (Aggarwal et al., 2010). By providing empirical evidence on the characteristics of cross-border activists, this paper expands corporate governance research and contributes to the debate launched by the European Commission about cross-border voting in the European Union.

2. THEORY

2.1 Theoretical perspectives on institutional investors

Research on shareholder activism is most commonly based on agency theory, suggesting that shareholders monitor management to ensure maximum return on their investments (Jensen and Meckling, 1976). Agency theory prescribes that shareholders should take action whenever such efforts are likely to result in a value increase larger than the costs of monitoring (see Admati et al, 1994), thus, usually by targeting underperforming firms. However, previous research produces mixed results. Although some studies find that institutions direct attention primarily to under-performing firms (Opler and Sobokin, 1995; Strickland et al, 1996), others report no significant differences in performance between firms prior to targeting (see Carleton et al, 1998; Karpoff et al, 1996; Smith, 1996). Financially rationality could alternatively be to focus on firms that have the largest potential impact on the fund portfolio. Several studies report a positive relationship between activism and financial rationality in this sense, measured as the percentage of the portfolio manager's holdings (Bizjak and Marquette, 1998; Carleton et al, 1998; Karpoff et al, 1996; Smith, 1996), while John and Klein (1995) report a negative relationship.

However, financial rationality has been questioned as a driver of institutional activism. Previous research reveals that fund manager activism is often directed towards issues associated with no significant positive effects on share value (Carleton et al, 1998; John and Klein, 1996; Pozen, 1994). Others have noticed a tendency among institutions to accept the same governance features they oppose through proxy fights with management when investing through private equity funds (Klausner, 2001). It has also been reported that activism is directed primarily to firms with extensive coverage in mass media (Nordén and Strand, 2009). The heterogeneity of findings have given rise to ideas that institutional activism might be driven by mis-aligned objectives, such as promotion of special interests due to agency problems within the fund managing organization (see Murphy and Van Nuys, 1994; Woidtke, 2002).

Different objectives – in combination with access to resources, organizational structure, and portfolio strategy, offer a potential explanation to why institutional investors employ a wide variety of proxy voting strategies. As a general rule, institutions tend to vote in favor of most proposals (Cremers and Romano, 2007), and more often when proposals are considered routine than non-routine (Gillan and Bethel, 2000). Previous studies find no evidence that voting practices differ between pension funds that vote their stock internally and those that delegate proxy voting to external portfolio managers (Romano, 1993). More recently, institutional investors have been noticed to engage in "just vote 'no'"-campaigns (Del Guercio et al., 2004), which are seen as an expression of dissatisfaction where shareholders attempt to convince fellow shareholders to vote against or withhold votes, as a response to a weak power position in relation to the board.

More recently, an increased interest to employ proxy advisors to vote stock on the institution's behalf has been observed (see Choi et al, 2010). Gillan and Bethel (2000) report that recommendations to vote against management proposals are associated with 13.63 % to 20.56 % fewer affirmative votes, and other studies also support the notion that institutions in general vote in consistence with recommendations by proxy advisory firms (see Cotter et al., 2009; Maug and Rydqvist, 2009; Morgan et al., 2006). Reliance on proxy advisors can be considered a response to limited resources for proxy voting evaluation, as receiving voting recommendations for all firms allows the institution to direct internal resources to verify voting recommendations for decisions that have the largest impact on the fund's total portfolio. Previous research also suggest that fund's tend to deviate from the proxy advisor's recommendation more often when the stake in a portfolio firm is large and/or the firm underperforms compared to peers (Schouten, 2012).

2.2 "Didn't know we voted" – anecdotes from state pension funds

Anecdotal evidence has many limitations and do not suffice for data analysis. Still, it can be used to highlight and illustrate what cannot always be captured with statistical methods. In order to fully understand the state pension fund's complex nature, the wide variety of proxy voting strategies and the conflicting situation fund managers face when trying to match expectations of active ownership with limited resources, anecdotal evidence is valuable. In 2009 a series of interviews with state pension funds with previous history of cross-border voting was carried out in the United States. The interviews usually took place at the fund's head office and in a few cases by telephone. The preferred respondent was the fund's Head of Corporate Governance, to the extent that such an officer existed, otherwise with the top manager responsible for proxy voting.

Each respondent was presented with records of the fund's cross-border voting in a selection of foreign firms. Reactions differed considerably. Few of the managers ultimately responsible for the fund's proxy voting were aware of how the fund had voted, and appeared surprised when faced with proxy voting records. Several funds explained that because proxy voting is delegated to external portfolio managers, the fund do not keep internal records of how proxies are voted and are therefore unable to explain voting decisions:

" ... [name of fund] has a written policy requiring that our equities managers vote all of our ballots on our behalf. As a result, we do not conduct any internal reviews of the issues on the ballots or of the applicable laws in the countries where the shares are voted"

"...we are unable to answer your questions [on the rationale of cross-border voting decisions] because [fund name] uses external investment managers to manage the fund's assets. Our investment managers, who are charged with fiduciary responsibility, vote proxies on our behalf"

Institutional investors are commonly known to consider proxy voting a fiduciary duty. Still, it's noteworthy that several state funds seemed unaware of how their proxies had been voted, and thus, were unable to explain the underlying rationale of voting decisions. An important question in this aspect concerns responsibility when proxy voting. Several scholars have argued that the corporate governance system would benefit from more activism (see Bebchuk, 2005, Black, 1992), particularly from institutional investors as they have larger opportunities and incentives to monitor management. But does corporate governance benefit from increased activism regardless of whether the activist institution is informed or ignorant? One state fund explains their stance concerning informed proxy voting:

"The external investment managers determine whether and/or how to vote proxies [...] The fund expects external investment managers to possess the knowledge required to vote proxies in the best interests of the system in those countries where the investment managers actively trade..."

Thus, in this case external managers could decide whether to vote the proxies at all, and if so, how to vote them. The fund expected managers to make informed decisions without requiring it. Other state funds employed a somewhat more developed voting strategy, relying on external managers for voting but with the requirement that the fund's proxy voting policy is followed:

"[fund name] have separate holdings in approximately 62 countries currently. The external investment managers determine whether and/or how to vote proxies based on the proxy voting policy"

This illustrates a difference between funds that have voting policy and those that don't but simply consider proxy voting a fiduciary duty. It should be noted that for the above stated fund, the policy aimed at was domestic while the requirement to vote in accordance with policy also applied to international managers. This illustrates behavioral replication when international proxies are voted in accordance with policies originally developed for the American market.

A major retirement system generally considered an activist investor, estimated the number of proxies voted yearly to be around 50.000. All proxies were said to be voted by internal evaluation, thus no proxy voting was delegated to external managers. The system's representatives demonstrated well-developed proxy voting policies, domestic and international, and how the system viewed different corporate governance issues. As most general meetings take place during the spring, and agendas and proposals are not published until some weeks prior to the meeting, most of the 50.000 voting decisions are to be made over a very short time period. The large number of voting decisions would rationally require a significant administrative organization. Still, being faced with a question on the number of employees available for proxy voting evaluation the retirement system answered:

"We are eight people. [...] no, there's no real division of labor. All of us do everything."

The anecdotes illustrate different strategies employed for proxy voting. There's a clear distinction to be made between funds that rely on external managers for proxy voting, with or without requirements that voting policies are followed, and activist funds that conduct internal proxy evaluations. For the latter category, external pressure offers one potential explanation to why activist strategies are employed despite that available human resources are limited in relation to the number of voting decisions that should be made. In the following section we consider the development of voting strategies an evolutionary process, where institutions are assumed to move towards activism as the size of funds grow, and thus, external pressure to be active increases.

2.3 The evolution of cross-border activists

The development of institutional investors from passive portfolio managers to active corporate monitors can be seen as an evolutionary process with gradual convergence over time to adjust to changing market conditions and jurisdiction, higher competitiveness, increased external expectations, and internationalization. In this perspective, cross-border voting is no more than "the next step" in the evolvement of institutional activism that once started with trembling attempts by California Public Employee Retirement System ('CalPERS'), to pursue firm managers to act more in the interest of shareholders through focus lists, shareholder proposals, and private negotiations (see Smith, 1996). Institutional activism is still a relatively new phenomenon, rising largely because of expectations that institutions – due to their large ownership stakes, would solve the collective action and free rider problems associated with Berle and Means' (1932) dispersedly held firm.

Institutional investors have been an influential ownership category since the 1980s when the suspension of hostile takeovers forced institutions to adopt more active ownership strategies (see Gillan and Starks, 2007). The role of institutional investors has been under debate since. Some scholars calls for increased institutional participation (see Bebchuk, 2005; Black, 1992), while others questions the potential of institutional investors as overall corporate monitors and suggest that they focus on implementation of known value-creating governance elements through policy debate (see Gilson and Kraakman, 1991).

In this paper we expand on the reasoning of an evolutionary process leading institutional investors to become increasingly active and employ new strategies for corporate monitoring. We assume an evolution on the micro-level, thus within the institutional organization rather than by force from changes and/or pressure in the external context. Specifically we focus on the development of proxy evaluation, as institutions that are already known to vote their stock develop their strategies towards higher sophistication. We assume that with each level achieved in the evolutionary process, the voting institution becomes more informed, and hypothesize that informed investors are less likely to vote against proposals in a systematic matter than ignorant investors.

We construct four variables to measure voting strategy. First we consider if a fund has a public investment policy. This is the initial step in the evolutionary process when the fund signals to the market how the fund portfolio is managed. Investment policies often include statements that proxy voting is a matter of policy (*"we vote all of our stock as part of our fiduciary duties"* etc). The second stage is if a fund has a domestic voting policy. This signals that proxy evaluation is carried out systematically on the bases of guidelines and stated principles. The third stage is if a fund has also an international voting policy. This indicates that a systematic proxy evaluation is carried out for domestic and international holdings based on divergent principles, and thus, that potential divergence in legal prerequisites and other contextual elements between the domestic and foreign market is taken into consideration. The final stage is if the fund purchases voting recommendations from a proxy voting advisor. Willingness to pay for advisory services on proxy decisions additionally signals ambitions to exercise active ownership, and allows the purchasing institution to focus on verification of proxy decisions that are the most valuable.

Based on the assumption that higher sophistication of the evaluation process results in more informed investors we expect a positive relationship between the number of votes against proposals and existence of an investment policy. As this is the least informed stage in the evolutionary process it should generate more systematic voting patterns. Further, as a domestic voting policy is considered and the investor becomes more informed we expect the number of votes against to decrease, thus a negative relationship. In the third and forth stages of evolution the investor has become additionally informed, and voting decisions are now made on the basis of guidelines/recommendations developed for cross-border voting specifically. There exists an important distinction between cross-border voting on domestic policies and international policies/recommendations, namely that the use of domestic voting policies only in cross-border voting does not necessarily take specific features of the foreign habitat into consideration, for example differences in jurisdiction. Cross-border voting decisions made on the basis of domestic voting policies might therefore be less informed than what the voting institution is aware of. As the voting institutions with international policies and/or proxy recommendations are fully informed about the international firm we no longer expect a systematic pattern in no-votes.

3. DATA AND DESCRIPTIVE STATISTICS

3.1 Data sources

The empirical analysis is based on data from minutes of general meetings during 2007-2009 (2011). Minutes have been obtained through company web pages – and if not posted there, through requests sent to the firms. Due to lack of transparency in voting records it is not possible to expand the dataset by adding data from years prior to 2007. The sample universe consists of all large and medium size firms listed at the Stockholm stock exchange, including 46 large cap firms and 70 mid cap firms. We select all firms in which at least one American state fund voted against one or several proxy proposals. For the three years respectively, 15, 19 and 16 large cap firms experienced cross-border activism in this definition. For mid cap firms the numbers are 11, 8, and 9 firms. The sample is reduced by 34 firms due to uncertainties concerning identity of the voting institution. Thus, the dataset includes a total of 44 listed firms, equivalent to 56,4% of all Swedish large and mid cap firms targeted by US state funds during the time period. The total number of state funds cross-bordering voting is 63 (see list in appendix 1).

Independent variables in terms of fund characteristics are collected from fund web pages – and if not published there, through requests to the funds by email or telephone. Collected material includes investment policies, proxy voting policies, and annual reports from the year prior to each activism-year.

3.2 Descriptive statistics

Table 1 reports that American state funds voted against a total of 367 proposals during the selected time period. 41 % of the votes against where directed to routine proposals, while 59 % were cast on non-routine matters. This is in line with the suggestion by Gillan and Bethel (2000) that routine proposals in general attract fewer votes against than non-routine proposals. Table 2 specifies the type of proposals most commonly voted against. For routine proposals, election of directors for the board is by far the most common proposal type to attract no-votes, followed by discharge from liability for the board and chief executive officer, and ratification of financial statements. For non-routine proposals, votes against occurs most often on proposals concerning executive compensation packages, stock option programs, other remuneration issues, share buybacks and transfer of own shares. As the total number of topics addressed through non-routine proposals is large making the categorization of proposals complicated, the study is limited to comprise the five non-routine proposals most commonly voted against. This comprises 79% of all non-routine proposals.

Total proposals	*2007*	*2008*	*2009*	*Total*
Routine proposals	22	60	70	152
Non-routine proposals	93	66	56	215
TOTAL	115	126	126	367

Table 1: Descriptive Statistics on the number of proposals voted against.

Routine proposals				
Ratification of financial reports	0	6	4	10
Discharge from liability	8	14	17	39
Election of board	8	36	39	83
Board remuneration	4	2	3	9
Election of auditor	0	1	4	5
Auditor remuneration	0	0	3	3
Election procedures	2	1	0	3
Non-routine proposals				
Executive compensation	10	12	16	38
Stock options	4	11	23	38
Other remuneration issues	0	11	10	21
Transfer of shares	30	9	0	39
Share buyback	21	12	0	33

Table 2: Specification of proposal types most commonly voted against.

Table 3 reports that the average state fund voted against 0.6 routine proposals in 2007, while the number is 1.7 and 1.5 for 2008 and 2009 respectively. The most active state fund voted against seven proposals in 2007, while the number is nine proposals in 2008 and six proposals in 2009. For non-routine proposals the average state fund voted against 0.9, 1.4, and 1.9 proposals for the three years. The most active institution voted against 14 non-routine proposals in 2007, six in 2008, and eight in 2009. State funds employ various voting strategies. 73.7 % has published an investment policy, describing portfolio strategies and whether voting rights are exercised (however, not specifying any guidelines on how they are voted). 33.2 % of the funds have a domestic voting policy, while 13.6 % of the funds also have an international voting policy. 22.9 % rely on a proxy voting advisor for voting recommendations and/or voting the fund's stock on its behalf.

	2007		*2008*		*2009*		*Total*	
	Mean	S.dev.	**Mean**	S.dev.	**Mean**	S.dev.	**Mean**	S.dev.
Proposals								
Routine	**0.579**	1.287	**1.714**	1.708	**1.555**	1.516	**1.289**	1.575
Nonroutine	**0.921**	1.024	**1.429**	1.596	**1.867**	2.018	**1.432**	1.661
Fund characters								
Policy								
Investment	**0.658**	0.481	**0.771**	0.426	**0.778**	0.420	**0.737**	0.442
Domestic	**0.395**	0.495	**0.314**	0.471	**0.267**	0.447	**0.332**	0.469
International	**0.156**	0.370	**0.114**	0.323	**0.133**	0.344	**0.136**	0.344
Proxy advisor	**0.289**	0.460	**0.229**	0.426	**1.778**	0.387	**0.229**	0.422
Financial								
Size (assets)	**2.78e+10**	4.97e+10	**3.76e+10**	6.25e+10	**2.31e+10**	4.53e+10	**2.87e+10**	5.18e+10
Return (%)	**12.183**	2.079	**16.127**	4.662	**-10.213**	10.642	**4.777**	13.825
Stock in portfolio (%)	**60.07**	6.453	**58.60**	11.229	**52.70**	9.786	**56.78**	9.788

TABLE 3: Descriptives on cross-border voting per fund, and fund characteristics. Proposals (routine and non-routine reported separately) indicate the average number of proposals voted against by an individual pension fund and year. Fund characteristics report the number of funds in the sample that have published an investment policy, domestic and/or international proxy voting policy, and/or rely on advisory firms for proxy voting. Financial characteristics indicate the size of the average pension fund, year-end average return on investments and how large of a fraction of the entire portfolio is invested in stocks (domestic and international).

4. RESULTS

To identify the explaining variables for American pension funds cross-border voting against routine and non-routine proposals we construct a panel and estimate two random-effects GLS regressions. Of the 63 state funds, 17 are included in the sample for all three years and another 20 are included for two years. Gaps arise naturally as voting patterns differ across time, and only votes against routine and non-routine proposals are included. The dependent variable is a count, measuring the number of proposals voted against by each state fund and year. In the first regression the dependent variable is measured as the count number of votes against routine proposals for each fund and year, while in the second regression the dependent variable is measured as the number of non-routine proposals voted against for each fund and year.

4.1 Control variables

Each regression includes a set of three control variables to test for potential size and performance effects. Fund size could potentially affect the results as larger funds have more resources, and thus, larger opportunities to engage in proxy evaluation and/or purchase proxy recommendations. They might also have stronger incentives to engage in active ownership, as the value increase that could be achieved through activist strategies might have a stronger effect on a large portfolio. Fund size is measure by the book value of assets.

Further we include return on stock portfolio investments as a performance measure. Previous research reports a link between financial performance in target firms and shareholder activism (see Bizjak and Marquette, 1998; Karpoff et al, 1996; Martin et al, 2000; Opler and Sobokin, 1995; Strickland et al, 1996). In line with agency theory, shareholders should be more active when there's a need for it, a reasoning that can also be employed based on fund performance. As low stock portfolio investment returns reflect poor company performance, we expect increased monitoring when returns are low, thus more votes against both types of proposals. Finally the percentage of stock in the overall portfolio is controlled for, as we expect shareholders to protect their investment more actively when it's more valuable.

Table 3 contains regression results from both estimations. For each variable, the table presents coefficient estimates, significance level, and robust standard errors. The first regression, using count number of votes against routine proposals as the dependent variable, returns a good R-squared value of 0,338. In regression two, using non-routine proposals, the explanatory power of included variables is much lower, 0.14. Thus, the included variables explain variability in voting decisions better for routine than non-routine proposals.

In line with what's been hypothesized, we find that for routine proposals, the number of votes against is positively related to the existence of an investment policy and negatively related to domestic voting policy, both with significance at the one percentage level. International voting policy and employment of proxy advisor for voting recommendations are both positive, and non-significant. The results suggest that being an ignorant but active investor in the first stage of the evolutionary process is associated with a more systematic pattern of voting against routine proposals. Evolvement towards a more informed investor reduces the number of votes against in the second stage, and makes the pattern non-systematic in the third and forth stages. The results also suggest that state funds and retirement systems employ their domestic proxy voting policies for cross-border voting, and thus, replicate behaviour in foreign markets.

	Shareholder activism	
	Routine proposals	Non-routine proposals
Investment policy	**1.321*** **	0.419
	(0.443)	(0.530)
Domestic voting policy	**-2.073*** **	**-1.317** **
	(0.721)	(0.575)
International voting policy	0. 419	0.101
	(0.699)	(0.749)
Proxy voting advisor	1.031	0.817
	(0.799)	(0.543)
Size (total assets)	1.38e-13	7.14e-13
	(3.72e-12)	(3.83e-12)
Return on equity	**0.038***	**0.055***
	(0.020)	(0.032)
Total stock	-0.008	-0.010
	(0.020)	(0.021)
Observations	77	77
Number of funds	63	63
Mean VIF	2.35	2.35
$\chi 2$	33.80	14.00

Table 4: Regressing the number of no votes on fund characteristics. Random-effects GLS regression. **Routine proposals are those that must be put forward to the general meeting annually** (election of auditor every forth year). This include ratification of financial reports, discharge from liability for the board and the chief executive officer, election of board and auditor, approval of board and auditor remuneration, and approval of procedures for election of the board. **Non-routine proposals are those that are not routine and filed on the board's initiative.** This includes approval of executive compensation packages, option programs, buyback of shares, and transfer of own shares. Robust standard errors are in parentheses. Year dummies and a constant are included but not reported. Note: ***, **, and * indicate that the coefficient estimates are statistically significantly different from zero at the 1%, 5%, and 10% level.

The results for regression two, using votes against non-routine proposals as the dependent variable are also presented in table 3. Although the explanatory power is lower, the independent variables enter with the same degree of significance and sign as in the first regression model. The main difference is that investment policy is no longer a significant explanatory variable for voting against non-routine proposals. The results are consistent with our expectation that domestic voting policies are used to replicate voting behaviour in foreign markets, and that introducing international voting policies eliminates such replications and systematic voting patterns as the investor is informed at a higher level.

For the control variables, return on stock portfolio investments is the only significant variable. Opposite of what is expected investment return is positively correlated to the number of votes against both routine and non-routine proposals. Previous research reports that institutional investors might pursue a broader set of underlying objectives when monitoring firm management than what is recognized by agency theory (see Murphy and van Nuys, 1994; Nordén and Strand, 2009; Romano, 1993; Woidtke, 2002). This might explain the direction of relationship between voting patterns and investment return. Fund size and the level of stock in the overall fund portfolio are insignificant variables to explain cross-border voting.

5. DISCUSSION

In line with previous research we find that state funds and retirement systems overall vote in favour of more routine than non-routine proposals (Gillan and Bethel, 2000). The regression results offer explanations of cross-border voting behaviour in line with our assumption of an evolutionary process. Cross-border activists become more informed as they adopt and implement corporate governance elements that results in more sophisticated proxy voting evaluation, which affect the number of no votes in accordance with hypotheses. We find evidence of behavioural replication in cross-border voting, as the existence of a domestic proxy voting policy returns the strongest significant coefficients in both regression models on the number of cross-border votes against routine and non-routine proposals, while adoption of international policies constitute an insignificant explanation for the number of no votes. The underlying rationale is simple: relying on domestic voting policies for cross-border voting makes the investor less informed than when international policies and advisory firms are consulted. This results in more systematic patterns of votes against proposals of both the routine and non-routine type. Anecdotal evidence provided in section two support that domestic policies are being used for cross-border voting, often in combination with delegation of voting to external portfolio managers.

REFERENCES

Admati, A., Pfleiderer, P., Zechner, J., 1994, "Large Shareholder Activism, Risk Sharing and Financial Market Equilibrium", *Journal of Political Economy*, 102, 1097-1130.

Aggarwal, R., Erel, I., Ferreira, M., Matos, P., 2010, "Does Governance Travel around the World? Evidence from Institutional Investors", Working Paper, Georgetown University.

Bebchuk, L., 2005, "The Case for Increasing Shareholder Power", *Harvard Law Review*, 118, 833.

Berle, A., Means, G., 1932, *"The Modern Corporation and Private Property"*, MacMillan Co.

Bizjak, J., Marquette, C., 1998, "Shareholder Proposals to Rescind Poison Pills: All Bark and No Bite", *Journal of Financial and Quantitative Analysis*, 33, 499-523.

Black, B., 1992, "The Value of Institutional Investor Monitoring: The Empirical Evidence", *38 UCLA Law Review*, 871 – 895.

Carleton, W., Nelson, J., Weisbach, M., 1998, "The Influence of Institutions on Corporate Governance through Private Negotiations: Evidence from TIAA CREF", *Journal of Finance*, 53, 1335-1362.

Choi, S., Fisch, J., Kahan, M., 2010, "The Power of Proxy Advisors: Myth or Reality?". *Emory Law Journal*, Vol. 59, p. 869, University of Penn, Institute for Law & Economics Research Paper No. 10-24.

Cremers, M., Romano, R., 2007, "Institutional Investors and Proxy Voting: The Impact of the 2003 Mutual Fund Voting Disclosure Regulation", Yale ICF Working Paper No. 07-10; Yale Law & Economics Research Paper No. 349; ECGI - Law Working Paper No. 83/2007.

de Jong, A., Mertens, G., Rosenboom, P., 2006, "Shareholders Voting at General Meetings: Evidence from the Netherlands", *Journal of Management and Governance*, 10, 353-380.

Del Guercio, D., Hawkins, J., 1999, "The Motivation and Impact of Pension Fund Activism", *Journal of Financial Economics*, 52, 293-340.

Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies (OJ L 184, 14.7.2007, p. 17–24).

Commission Green Paper, 2010, "Corporate Governance in Financial Institutions", COM(2010) 284 final.

Commission Green Paper, 2011, "The EU Corporate Governance Framework", COM (2011), 5.4.2011, p.1-23.

Cotter, J., Palmiter, A., Thomas, R., 2009, "ISS Recommendations and Mutual Fund Voting on Proxy Proposals", *Villanova Law Review*, 55(1).

Gillan, S., and Bethel, J., 2000, "Corporate Voting and the Proxy Process: Managerial Control Versus Shareholder Oversight". Presented at Tuck-JFE Contemporary Corporate Governance Conference. Available at SSRN: http://ssrn.com/abstract=236099.

Gillan, S., Starks, L., 1998, "A Survey of Shareholder Activism: Motivation and Empirical Evidence", *Contemporary Finance Digest* 2, 10-34.

Gillan, S., Starks, L., 2007, "The Evolution of Shareholder Activism in the United States". Available at http://ssrn.com/abstract=959670.

Gordon, L. A., Pound, J., 1993, "Information, Ownership Structure, and Shareholder Voting: Evidence from Shareholder-Sponsored Corporate Governance Proposals", *Journal of Finance*, 48: 697–718.

Jensen, M., Meckling, W., 1976, "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure", *Journal of Financial Economics*, 3, 305-360.

John, K., Klein, A., 1995, "Shareholder Proposals and Corporate Governance", Working Paper, New York University.

Karpoff, J., Malatesta, P., Walkling, R., 1996, "Corporate Governance and Shareholder Initiatives: Empirical Evidence", *Journal of Financial Economics*, 42, 365-395.

Klausner, M., 2001, "Institutional Shareholders' Split Personality on Corporate Governance: Active in Proxies, Passive in IPOs", *Stanford Law and Economics Olin Working Paper No. 225*.

Mallin, C., 2002, “Institutional Investors and Voting: Barriers to the Effective Exercise of Voice”, Working Paper, presented at Griffith University Seminar, Brisbane, Australia, September 2002.

Martin, J., Kensinger, J., Gillan, S., 2000, “Value Creation and Corporate Diversification: The Case of Sears, Roebuck & Co”. *Journal of Financial Economics*, 55, 103-137.

Maug, Ernst G., and Kristian Rydqvist, 2009, “Do Shareholders Vote Strategically? Voting Behavior, Proposal Screening, and Majority Rules”, *Review of Finance* 13, 47 - 49.

Morgan, A., Poulsen, A., Wolf, J., 2006, “The Evolution of Shareholder Voting for Executive Compensation Schemes”, *Journal of Corporate Finance* 12, 715-737.

Murphy, K., Van Nuys, K., 1994, “State Pension Funds and Shareholder In-Activism”, Working Paper, Harvard Business School.

Nordén, L., Strand, T., 2009, “Shareholder Activism among Portfolio Managers: Rational Decisions or 15 minutes of Fame?”, *Journal of Management and Governance*, published online: October 13, 2009.

Opler, T., Sobokin, J., 1995, “Does Coordinated Institutional Activism Work? An Analysis of the Activities of the Council of Institutional Investors”, Ohio State University and Southern Methodist University Working Paper.

Pozen, R., 1994, “Institutional Investors: The Reluctant Activists”, *Harvard Business Review* 72, 140-149.

Romano, R., 1993, “Public Pension Fund Activism in Corporate Governance Reconsidered”, *Columbia Law Review* 93, 795-853.

Schouten, M., 2012, “Do Institutional Investors Follow Proxy Advice Blindly?”, Available at SSRN: http://ssrn.com/abstract=1978343.

Smith, M., 1996, “Shareholder Activism by Institutional Investors: Evidence from CalPERS”, *Journal of Finance* 51, 227-252.

Strickland, D., Wiles, K., Zenner, M., 1996, “A Requiem for the USA. Is Small Shareholder Monitoring Effective?”, *Journal of Financial Economics* 40, 319-338.

Winter, J., 2000, “Cross-Border Voting in Europe”. Available at SSRN: http://ssrn.com/abstract=249625.

Woidtke, T., 2002, “Agents Watching Agents?: Evidence from Pension Fund Ownership and Firm Value”, *Journal of Financial Economics* 63, 99-131.

Zetzsche, D., 2008, “Shareholder Passivity, Cross-Border Voting and the Shareholder Rights Directive”, *Journal of Corporate Law Studies*, Vol. 8, No. 2, 2008; CBC-RPS No. 0031.

APPENDIX 1:1

List of U.S. state funds included in study

- Alameda County Employees Retirement Association
- Alaska Permanent Fund Corporation
- California Public Employees Retirement System
- California State Teachers Retirement System
- City of Memphis Retirement System
- City of New York Deferred Compensation Plan
- Colorado Public Employees Retirement Association
- County Employees Annuity and Benefit Fund of Cook County
- Educational Employees Supplementary Retirement System of Fairfax County
- El Paso County Retirement Plan
- Employees RET of the City of Fort Worth, Texas
- Employees Retirement System of Baltimore County
- Employees Retirement System of the State of Hawaii
- Fairfax County Uninformed Retirement System
- Fire and Police Employees Retirement System of Baltimore
- Fire and Police Pension Association of Colorado
- Firemen's Annuity and Benefit Fund of Chicago
- Florida State Board of Administration
- General Retirement System of the City of Detroit
- Gwinnett County Board of Education Retirement System
- Illinois Municipality Retirement Fund Master Trust
- Illinois State Board of Investments
- Indiana State Teachers' Retirement System
- Los Angeles City Employees' Retirement System
- Los Angeles County Employees Retirement Association
- Los Angeles Fire and Police Pension System
- Louisiana State Employees retirement system
- Massachusetts PRIM
- Montana Board of Investments
- Municipal Employees Annuity & Benefit Fund of Chicago
- Municipal Fire and Police Retirement System of Iowa
- New Mexico State Investment
- New York State Common Retirement Fund
- New York State Deferred Compensation Plan
- North Dakota State Investment Board
- Ohio Police and fire pension fund
- Orange County Employees Retirement System
- Public Employee Retirement System of Idaho
- Public Employees Retirement Association of New Mexico
- Public Employees retirement system of Mississippi
- Public Employees retirement system of Nevada
- Public School Teachers' Pension and Retirement Fund of Chicago
- San Bernardino County Employees Retirement Association
- San Diego City Employees Retirement System
- San Diego Country Employees Retirement Association
- San Joaquin County RET
- School employees retirement system of Ohio
- State of Connecticut Retirement Plans and Trust Funds

APPENDIX 1:2

List of U.S. state funds included in study (cont'd)

State of Minnesota Retirement System	Teachers Retirement System of Texas	The State of New Jersey Common Pension Fund
State of Wisconsin Investment Board	Teachers Retirement System of the State of Illinois	The Texas Education Agency
State Teacher Retirement System of Ohio	Tennessee Retirement Plan Trust	Treasurer of the State of North Carolina Equity Investment
State Universities Retirement System	Tennessee Valley Authority Retirement System	Utah State Retirement Systems
Teachers retirement system of Louisiana	The Public Education and School Employee Retirement System of Missouri	Virginia Retirement System

U.S. public investment systems cross-border voting in 2007, 2008, and 2009. The above stated 63 funds comprise all the American state pension and retirement systems that have engaged in cross-border proxy voting in Swedish large- and mid cap size firms.

TITLER I PH.D.SERIEN:

2004

1. Martin Grieger
Internet-based Electronic Marketplaces and Supply Chain Management

2. Thomas Basbøll
LIKENESS
A Philosophical Investigation

3. Morten Knudsen
Beslutningens vaklen
En systemteoretisk analyse of moderniseringen af et amtskommunalt sundhedsvæsen 1980-2000

4. Lars Bo Jeppesen
Organizing Consumer Innovation
A product development strategy that is based on online communities and allows some firms to benefit from a distributed process of innovation by consumers

5. Barbara Dragsted
SEGMENTATION IN TRANSLATION AND TRANSLATION MEMORY SYSTEMS
An empirical investigation of cognitive segmentation and effects of integrating a TM system into the translation process

6. Jeanet Hardis
Sociale partnerskaber
Et socialkonstruktivistisk casestudie af partnerskabsaktørers virkelighedsopfattelse mellem identitet og legitimitet

7. Henriette Hallberg Thygesen
System Dynamics in Action

8. Carsten Mejer Plath
Strategisk Økonomistyring

9. Annemette Kjærgaard
Knowledge Management as Internal Corporate Venturing
– a Field Study of the Rise and Fall of a Bottom-Up Process

10. Knut Arne Hovdal
De profesjonelle i endring
Norsk ph.d., ej til salg gennem Samfundslitteratur

11. Søren Jeppesen
Environmental Practices and Greening Strategies in Small Manufacturing Enterprises in South Africa
– A Critical Realist Approach

12. Lars Frode Frederiksen
Industriel forskningsledelse
– på sporet af mønstre og samarbejde i danske forskningsintensive virksomheder

13. Martin Jes Iversen
The Governance of GN Great Nordic
– in an age of strategic and structural transitions 1939-1988

14. Lars Pynt Andersen
The Rhetorical Strategies of Danish TV Advertising
A study of the first fifteen years with special emphasis on genre and irony

15. Jakob Rasmussen
Business Perspectives on E-learning

16. Sof Thrane
The Social and Economic Dynamics of Networks
– a Weberian Analysis of Three Formalised Horizontal Networks

17. Lene Nielsen
Engaging Personas and Narrative Scenarios – a study on how a user-centered approach influenced the perception of the design process in the e-business group at AstraZeneca

18. S.J Valstad
Organisationsidentitet
Norsk ph.d., ej til salg gennem Samfundslitteratur

19. Thomas Lyse Hansen
Six Essays on Pricing and Weather risk in Energy Markets

20. Sabine Madsen
Emerging Methods – An Interpretive Study of ISD Methods in Practice

21. Evis Sinani
The Impact of Foreign Direct Investment on Efficiency, Productivity Growth and Trade: An Empirical Investigation

22. Bent Meier Sørensen
Making Events Work Or,
How to Multiply Your Crisis

23. Pernille Schnoor
Brand Ethos
Om troværdige brand- og virksomhedsidentiteter i et retorisk og diskursteoretisk perspektiv

24. Sidsel Fabech
Von welchem Österreich ist hier die Rede?
Diskursive forhandlinger og magtkampe mellem rivaliserende nationale identitetskonstruktioner i østrigske pressediskurser

25. Klavs Odgaard Christensen
Sprogpolitik og identitetsdannelse i flersprogede forbundsstater
Et komparativt studie af Schweiz og Canada

26. Dana B. Minbaeva
Human Resource Practices and Knowledge Transfer in Multinational Corporations

27. Holger Højlund
Markedets politiske fornuft
Et studie af velfærdens organisering i perioden 1990-2003

28. Christine Mølgaard Frandsen
A.s erfaring
Om mellemværendets praktik i en transformation af mennesket og subjektiviteten

29. Sine Nørholm Just
The Constitution of Meaning
– A Meaningful Constitution?
Legitimacy, identity, and public opinion in the debate on the future of Europe

2005

1. Claus J. Varnes
Managing product innovation through rules – The role of formal and structured methods in product development

2. Helle Hedegaard Hein
Mellem konflikt og konsensus
– Dialogudvikling på hospitalsklinikker

3. Axel Rosenø
Customer Value Driven Product Innovation – A Study of Market Learning in New Product Development

4. Søren Buhl Pedersen
Making space
An outline of place branding

5. Camilla Funck Ellehave
Differences that Matter
An analysis of practices of gender and organizing in contemporary workplaces

6. Rigmor Madeleine Lond
Styring af kommunale forvaltninger

7. Mette Aagaard Andreassen
Supply Chain versus Supply Chain
Benchmarking as a Means to Managing Supply Chains

8. Caroline Aggestam-Pontoppidan
From an idea to a standard
The UN and the global governance of accountants' competence

9. Norsk ph.d.

10. Vivienne Heng Ker-ni
An Experimental Field Study on the

Effectiveness of Grocer Media Advertising
Measuring Ad Recall and Recognition, Purchase Intentions and Short-Term Sales

11. Allan Mortensen
Essays on the Pricing of Corporate Bonds and Credit Derivatives

12. Remo Stefano Chiari
Figure che fanno conoscere
Itinerario sull'idea del valore cognitivo e espressivo della metafora e di altri tropi da Aristotele e da Vico fino al cognitivismo contemporaneo

13. Anders McIlquham-Schmidt
Strategic Planning and Corporate Performance
An integrative research review and a meta-analysis of the strategic planning and corporate performance literature from 1956 to 2003

14. Jens Geersbro
The TDF – PMI Case
Making Sense of the Dynamics of Business Relationships and Networks

15 Mette Andersen
Corporate Social Responsibility in Global Supply Chains
Understanding the uniqueness of firm behaviour

16. Eva Boxenbaum
Institutional Genesis: Micro – Dynamic Foundations of Institutional Change

17. Peter Lund-Thomsen
Capacity Development, Environmental Justice NGOs, and Governance: The Case of South Africa

18. Signe Jarlov
Konstruktioner af offentlig ledelse

19. Lars Stæhr Jensen
Vocabulary Knowledge and Listening Comprehension in English as a Foreign Language
An empirical study employing data elicited from Danish EFL learners

20. Christian Nielsen
Essays on Business Reporting
Production and consumption of strategic information in the market for information

21. Marianne Thejls Fischer
Egos and Ethics of Management Consultants

22. Annie Bekke Kjær
Performance management i Proces-innovation
– belyst i et social-konstruktivistisk perspektiv

23. Suzanne Dee Pedersen
GENTAGELSENS METAMORFOSE
Om organisering af den kreative gøren i den kunstneriske arbejdspraksis

24. Benedikte Dorte Rosenbrink
Revenue Management
Økonomiske, konkurrencemæssige & organisatoriske konsekvenser

25. Thomas Riise Johansen
Written Accounts and Verbal Accounts
The Danish Case of Accounting and Accountability to Employees

26. Ann Fogelgren-Pedersen
The Mobile Internet: Pioneering Users' Adoption Decisions

27. Birgitte Rasmussen
Ledelse i fællesskab – de tillidsvalgtes fornyende rolle

28. Gitte Thit Nielsen
Remerger
– skabende ledelseskræfter i fusion og opkøb

29. Carmine Gioia
A MICROECONOMETRIC ANALYSIS OF MERGERS AND ACQUISITIONS

30. Ole Hinz
Den effektive forandringsleder: pilot, pædagog eller politiker?
Et studie i arbejdslederes meningstilskrivninger i forbindelse med vellykket gennemførelse af ledelsesinitierede forandringsprojekter

31. Kjell-Åge Gotvassli
Et praksisbasert perspektiv på dynamiske
læringsnettverk i toppidretten
Norsk ph.d., ej til salg gennem Samfundslitteratur

32. Henriette Langstrup Nielsen
Linking Healthcare
An inquiry into the changing performances of web-based technology for asthma monitoring

33. Karin Tweddell Levinsen
Virtuel Uddannelsespraksis
Master i IKT og Læring – et casestudie i hvordan proaktiv proceshåndtering kan forbedre praksis i virtuelle læringsmiljøer

34. Anika Liversage
Finding a Path
Labour Market Life Stories of Immigrant Professionals

35. Kasper Elmquist Jørgensen
Studier i samspillet mellem stat og erhvervsliv i Danmark under 1. verdenskrig

36. Finn Janning
A DIFFERENT STORY
Seduction, Conquest and Discovery

37. Patricia Ann Plackett
Strategic Management of the Radical Innovation Process
Leveraging Social Capital for Market Uncertainty Management

2006

1. Christian Vintergaard
Early Phases of Corporate Venturing

2. Niels Rom-Poulsen
Essays in Computational Finance

3. Tina Brandt Husman
Organisational Capabilities, Competitive Advantage & Project-Based Organisations
The Case of Advertising and Creative Good Production

4. Mette Rosenkrands Johansen
Practice at the top
– how top managers mobilise and use non-financial performance measures

5. Eva Parum
Corporate governance som strategisk kommunikations- og ledelsesværktøj

6. Susan Aagaard Petersen
Culture's Influence on Performance Management: The Case of a Danish Company in China

7. Thomas Nicolai Pedersen
The Discursive Constitution of Organizational Governance – Between unity and differentiation
The Case of the governance of environmental risks by World Bank environmental staff

8. Cynthia Selin
Volatile Visions: Transactons in Anticipatory Knowledge

9. Jesper Banghøj
Financial Accounting Information and Compensation in Danish Companies

10. Mikkel Lucas Overby
Strategic Alliances in Emerging High-Tech Markets: What's the Difference and does it Matter?

11. Tine Aage
External Information Acquisition of Industrial Districts and the Impact of Different Knowledge Creation Dimensions

A case study of the Fashion and Design Branch of the Industrial District of Montebelluna, NE Italy

12. Mikkel Flyverbom
    Making the Global Information Society Governable
    On the Governmentality of Multi-Stakeholder Networks

13. Anette Grønning
    Personen bag
    Tilstedevær i e-mail som inter-aktionsform mellem kunde og med-arbejder i dansk forsikringskontekst

14. Jørn Helder
    One Company – One Language?
    The NN-case

15. Lars Bjerregaard Mikkelsen
    Differing perceptions of customer value
    Development and application of a tool for mapping perceptions of customer value at both ends of customer-supplier dyads in industrial markets

16. Lise Granerud
    Exploring Learning
    Technological learning within small manufacturers in South Africa

17. Esben Rahbek Pedersen
    Between Hopes and Realities: Reflections on the Promises and Practices of Corporate Social Responsibility (CSR)

18. Ramona Samson
    The Cultural Integration Model and European Transformation.
    The Case of Romania

2007

1. Jakob Vestergaard
   Discipline in The Global Economy
   Panopticism and the Post-Washington Consensus

2. Heidi Lund Hansen
   Spaces for learning and working
   A qualitative study of change of work, management, vehicles of power and social practices in open offices

3. Sudhanshu Rai
   Exploring the internal dynamics of software development teams during user analysis
   A tension enabled Institutionalization Model; "Where process becomes the objective"

4. Norsk ph.d.
   Ej til salg gennem Samfundslitteratur

5. Serden Ozcan
   EXPLORING HETEROGENEITY IN ORGANIZATIONAL ACTIONS AND OUTCOMES
   A Behavioural Perspective

6. Kim Sundtoft Hald
   Inter-organizational Performance Measurement and Management in Action
   – An Ethnography on the Construction of Management, Identity and Relationships

7. Tobias Lindeberg
   Evaluative Technologies
   Quality and the Multiplicity of Performance

8. Merete Wedell-Wedellsborg
   Den globale soldat
   Identitetsdannelse og identitetsledelse i multinationale militære organisationer

9. Lars Frederiksen
   Open Innovation Business Models
   Innovation in firm-hosted online user communities and inter-firm project ventures in the music industry
   – A collection of essays

10. Jonas Gabrielsen
    Retorisk toposlære – fra statisk 'sted' til persuasiv aktivitet

11. Christian Moldt-Jørgensen
Fra meningsløs til meningsfuld evaluering.
Anvendelsen af studentertilfredshedsmålinger på de korte og mellemlange videregående uddannelser set fra et psykodynamisk systemperspektiv

12. Ping Gao
Extending the application of actor-network theory
Cases of innovation in the telecommunications industry

13. Peter Mejlby
Frihed og fængsel, en del af den samme drøm?
Et phronetisk baseret casestudie af frigørelsens og kontrollens sameksistens i værdibaseret ledelse!

14. Kristina Birch
Statistical Modelling in Marketing

15. Signe Poulsen
Sense and sensibility:
The language of emotional appeals in insurance marketing

16. Anders Bjerre Trolle
Essays on derivatives pricing and dynamic asset allocation

17. Peter Feldhütter
Empirical Studies of Bond and Credit Markets

18. Jens Henrik Eggert Christensen
Default and Recovery Risk Modeling and Estimation

19. Maria Theresa Larsen
Academic Enterprise: A New Mission for Universities or a Contradiction in Terms?
Four papers on the long-term implications of increasing industry involvement and commercialization in academia

20. Morten Wellendorf
Postimplementering af teknologi i den offentlige forvaltning
Analyser af en organisations kontinuerlige arbejde med informationsteknologi

21. Ekaterina Mhaanna
Concept Relations for Terminological Process Analysis

22. Stefan Ring Thorbjørnsen
Forsvaret i forandring
Et studie i officerers kapabiliteter under påvirkning af omverdenens forandringspres mod øget styring og læring

23. Christa Breum Amhøj
Det selvskabte medlemskab om managementstaten, dens styringsteknologier og indbyggere

24. Karoline Bromose
Between Technological Turbulence and Operational Stability
– An empirical case study of corporate venturing in TDC

25. Susanne Justesen
Navigating the Paradoxes of Diversity in Innovation Practice
– A Longitudinal study of six very different innovation processes – in practice

26. Luise Noring Henler
Conceptualising successful supply chain partnerships
– Viewing supply chain partnerships from an organisational culture perspective

27. Mark Mau
Kampen om telefonen
Det danske telefonvæsen under den tyske besættelse 1940-45

28. Jakob Halskov
The semiautomatic expansion of existing terminological ontologies using knowledge patterns discovered

on the WWW – an implementation and evaluation

29. Gergana Koleva
European Policy Instruments Beyond Networks and Structure: The Innovative Medicines Initiative

30. Christian Geisler Asmussen
Global Strategy and International Diversity: A Double-Edged Sword?

31. Christina Holm-Petersen
Stolthed og fordom
Kultur- og identitetsarbejde ved skabelsen af en ny sengeafdeling gennem fusion

32. Hans Peter Olsen
Hybrid Governance of Standardized States
Causes and Contours of the Global Regulation of Government Auditing

33. Lars Bøge Sørensen
Risk Management in the Supply Chain

34. Peter Aagaard
Det unikkes dynamikker
De institutionelle mulighedsbetingelser bag den individuelle udforskning i professionelt og frivilligt arbejde

35. Yun Mi Antorini
Brand Community Innovation
An Intrinsic Case Study of the Adult Fans of LEGO Community

36. Joachim Lynggaard Boll
Labor Related Corporate Social Performance in Denmark
Organizational and Institutional Perspectives

2008

1. Frederik Christian Vinten
Essays on Private Equity

2. Jesper Clement
Visual Influence of Packaging Design on In-Store Buying Decisions

3. Marius Brostrøm Kousgaard
Tid til kvalitetsmåling?
– Studier af indrulleringsprocesser i forbindelse med introduktionen af kliniske kvalitetsdatabaser i speciallægepraksissektoren

4. Irene Skovgaard Smith
Management Consulting in Action Value creation and ambiguity in client-consultant relations

5. Anders Rom
Management accounting and integrated information systems
How to exploit the potential for management accounting of information technology

6. Marina Candi
Aesthetic Design as an Element of Service Innovation in New Technology-based Firms

7. Morten Schnack
Teknologi og tværfaglighed
– en analyse af diskussionen omkring indførelse af EPJ på en hospitalsafdeling

8. Helene Balslev Clausen
Juntos pero no revueltos – un estudio sobre emigrantes norteamericanos en un pueblo mexicano

9. Lise Justesen
Kunsten at skrive revisionsrapporter.
En beretning om forvaltningsrevisionens beretninger

10. Michael E. Hansen
The politics of corporate responsibility: CSR and the governance of child labor and core labor rights in the 1990s

11. Anne Roepstorff
Holdning for handling – en etnologisk undersøgelse af Virksomheders Sociale Ansvar/CSR

12. Claus Bajlum
Essays on Credit Risk and Credit Derivatives

13. Anders Bojesen
The Performative Power of Competence – an Inquiry into Subjectivity and Social Technologies at Work

14. Satu Reijonen
Green and Fragile
A Study on Markets and the Natural Environment

15. Ilduara Busta
Corporate Governance in Banking
A European Study

16. Kristian Anders Hvass
A Boolean Analysis Predicting Industry Change: Innovation, Imitation & Business Models
The Winning Hybrid: A case study of isomorphism in the airline industry

17. Trine Paludan
De uvidende og de udviklingsparate
Identitet som mulighed og restriktion blandt fabriksarbejdere på det aftayloriserede fabriksgulv

18. Kristian Jakobsen
Foreign market entry in transition economies: Entry timing and mode choice

19. Jakob Elming
Syntactic reordering in statistical machine translation

20. Lars Brømsøe Termansen
Regional Computable General Equilibrium Models for Denmark
Three papers laying the foundation for regional CGE models with agglomeration characteristics

21. Mia Reinholt
The Motivational Foundations of Knowledge Sharing

22. Frederikke Krogh-Meibom
The Co-Evolution of Institutions and Technology
– A Neo-Institutional Understanding of Change Processes within the Business Press – the Case Study of Financial Times

23. Peter D. Ørberg Jensen
OFFSHORING OF ADVANCED AND HIGH-VALUE TECHNICAL SERVICES: ANTECEDENTS, PROCESS DYNAMICS AND FIRMLEVEL IMPACTS

24. Pham Thi Song Hanh
Functional Upgrading, Relational Capability and Export Performance of Vietnamese Wood Furniture Producers

25. Mads Vangkilde
Why wait?
An Exploration of first-mover advantages among Danish e-grocers through a resource perspective

26. Hubert Buch-Hansen
Rethinking the History of European Level Merger Control
A Critical Political Economy Perspective

2009

1. Vivian Lindhardsen
From Independent Ratings to Communal Ratings: A Study of CWA Raters' Decision-Making Behaviours

2. Guðrið Weihe
Public-Private Partnerships: Meaning and Practice

3. Chris Nøkkentved
Enabling Supply Networks with Collaborative Information Infrastructures
An Empirical Investigation of Business Model Innovation in Supplier Relationship Management

4. Sara Louise Muhr
Wound, Interrupted – On the Vulnerability of Diversity Management

5. Christine Sestoft
Forbrugeradfærd i et Stats- og Livsformsteoretisk perspektiv

6. Michael Pedersen
Tune in, Breakdown, and Reboot: On the production of the stress-fit self-managing employee

7. Salla Lutz
Position and Reposition in Networks – Exemplified by the Transformation of the Danish Pine Furniture Manufacturers

8. Jens Forssbæck
Essays on market discipline in commercial and central banking

9. Tine Murphy
Sense from Silence – A Basis for Organised Action
How do Sensemaking Processes with Minimal Sharing Relate to the Reproduction of Organised Action?

10. Sara Malou Strandvad
Inspirations for a new sociology of art: A sociomaterial study of development processes in the Danish film industry

11. Nicolaas Mouton
On the evolution of social scientific metaphors:
A cognitive-historical enquiry into the divergent trajectories of the idea that collective entities – states and societies, cities and corporations – are biological organisms.

12. Lars Andreas Knutsen
Mobile Data Services:
Shaping of user engagements

13. Nikolaos Theodoros Korfiatis
Information Exchange and Behavior
A Multi-method Inquiry on Online Communities

14. Jens Albæk
Forestillinger om kvalitet og tværfaglighed på sygehuse
– skabelse af forestillinger i læge- og plejegrupperne angående relevans af nye idéer om kvalitetsudvikling gennem tolkningsprocesser

15. Maja Lotz
The Business of Co-Creation – and the Co-Creation of Business

16. Gitte P. Jakobsen
Narrative Construction of Leader Identity in a Leader Development Program Context

17. Dorte Hermansen
"Living the brand" som en brandorienteret dialogisk praxis:
Om udvikling af medarbejdernes brandorienterede dømmekraft

18. Aseem Kinra
Supply Chain (logistics) Environmental Complexity

19. Michael Nørager
How to manage SMEs through the transformation from non innovative to innovative?

20. Kristin Wallevik
Corporate Governance in Family Firms
The Norwegian Maritime Sector

21. Bo Hansen Hansen
Beyond the Process
Enriching Software Process Improvement with Knowledge Management

22. Annemette Skot-Hansen
Franske adjektivisk afledte adverbier, der tager præpositionssyntagmer indledt med præpositionen à som argumenter
En valensgrammatisk undersøgelse

23. Line Gry Knudsen
Collaborative R&D Capabilities
In Search of Micro-Foundations

24. Christian Scheuer
Employers meet employees
Essays on sorting and globalization

25. Rasmus Johnsen
The Great Health of Melancholy
A Study of the Pathologies of Performativity

26. Ha Thi Van Pham
Internationalization, Competitiveness Enhancement and Export Performance of Emerging Market Firms:
Evidence from Vietnam

27. Henriette Balieu
Kontrolbegrebets betydning for kausativalternationen i spansk
En kognitiv-typologisk analyse

2010

1. Yen Tran
Organizing Innovationin Turbulent Fashion Market
Four papers on how fashion firms create and appropriate innovation value

2. Anders Raastrup Kristensen
Metaphysical Labour
Flexibility, Performance and Commitment in Work-Life Management

3. Margrét Sigrún Sigurdardottir
Dependently independent
Co-existence of institutional logics in the recorded music industry

4. Ásta Dis Óladóttir
Internationalization from a small domestic base:
An empirical analysis of Economics and Management

5. Christine Secher
E-deltagelse i praksis – politikernes og forvaltningens medkonstruktion og konsekvenserne heraf

6. Marianne Stang Våland
What we talk about when we talk about space:
End User Participation between Processes of Organizational and Architectural Design

7. Rex Degnegaard
Strategic Change Management
Change Management Challenges in the Danish Police Reform

8. Ulrik Schultz Brix
Værdi i rekruttering – den sikre beslutning
En pragmatisk analyse af perception og synliggørelse af værdi i rekrutterings- og udvælgelsesarbejdet

9. Jan Ole Similä
Kontraktsledelse
Relasjonen mellom virksomhetsledelse og kontraktshåndtering, belyst via fire norske virksomheter

10. Susanne Boch Waldorff
Emerging Organizations: In between local translation, institutional logics and discourse

11. Brian Kane
Performance Talk
Next Generation Management of Organizational Performance

12. Lars Ohnemus
Brand Thrust: Strategic Branding and Shareholder Value
An Empirical Reconciliation of two Critical Concepts

13. Jesper Schlamovitz
Håndtering af usikkerhed i film- og byggeprojekter

14. Tommy Moesby-Jensen
Det faktiske livs forbindtlighed
Førsokratisk informeret, ny-aristotelisk ἦθος-tænkning hos Martin Heidegger

15. Christian Fich
Two Nations Divided by Common Values
French National Habitus and the Rejection of American Power

16. Peter Beyer
Processer, sammenhængskraft og fleksibilitet
Et empirisk casestudie af omstillingsforløb i fire virksomheder

17. Adam Buchhorn
Markets of Good Intentions
Constructing and Organizing Biogas Markets Amid Fragility and Controversy

18. Cecilie K. Moesby-Jensen
Social læring og fælles praksis
Et mixed method studie, der belyser læringskonsekvenser af et lederkursus for et praksisfællesskab af offentlige mellemledere

19. Heidi Boye
Fødevarer og sundhed i senmodernismen
– En indsigt i hyggefænomenet og de relaterede fødevarepraksisser

20. Kristine Munkgård Pedersen
Flygtige forbindelser og midlertidige mobiliseringer
Om kulturel produktion på Roskilde Festival

21. Oliver Jacob Weber
Causes of Intercompany Harmony in Business Markets – An Empirical Investigation from a Dyad Perspective

22. Susanne Ekman
Authority and Autonomy
Paradoxes of Modern Knowledge Work

23. Anette Frey Larsen
Kvalitetsledelse på danske hospitaler
– Ledelsernes indflydelse på introduktion og vedligeholdelse af kvalitetsstrategier i det danske sundhedsvæsen

24. Toyoko Sato
Performativity and Discourse: Japanese Advertisements on the Aesthetic Education of Desire

25. Kenneth Brinch Jensen
Identifying the Last Planner System
Lean management in the construction industry

26. Javier Busquets
Orchestrating Network Behavior for Innovation

27. Luke Patey
The Power of Resistance: India's National Oil Company and International Activism in Sudan

28. Mette Vedel
Value Creation in Triadic Business Relationships. Interaction, Interconnection and Position

29. Kristian Tørning
Knowledge Management Systems in Practice – A Work Place Study

30. Qingxin Shi
An Empirical Study of Thinking Aloud Usability Testing from a Cultural Perspective

31. Tanja Juul Christiansen
Corporate blogging: Medarbejderes kommunikative handlekraft

32. Malgorzata Ciesielska
Hybrid Organisations.
A study of the Open Source – business setting

33. Jens Dick-Nielsen
Three Essays on Corporate Bond Market Liquidity

34. Sabrina Speiermann
Modstandens Politik
Kampagnestyring i Velfærdsstaten.
En diskussion af trafikkampagners styringspotentiale

35. Julie Uldam
Fickle Commitment. Fostering political engagement in 'the flighty world of online activism'

36. Annegrete Juul Nielsen
Traveling technologies and transformations in health care

37. Athur Mühlen-Schulte
Organising Development
Power and Organisational Reform in the United Nations Development Programme

38. Louise Rygaard Jonas
Branding på butiksgulvet
Et case-studie af kultur- og identitets-arbejdet i Kvickly

2011

1. Stefan Fraenkel
Key Success Factors for Sales Force Readiness during New Product Launch
A Study of Product Launches in the Swedish Pharmaceutical Industry

2. Christian Plesner Rossing
International Transfer Pricing in Theory and Practice

3. Tobias Dam Hede
Samtalekunst og ledelsesdisciplin
– en analyse af coachingsdiskursens genealogi og governmentality

4. Kim Pettersson
Essays on Audit Quality, Auditor Choice, and Equity Valuation

5. Henrik Merkelsen
The expert-lay controversy in risk research and management. Effects of institutional distances. Studies of risk definitions, perceptions, management and communication

6. Simon S. Torp
Employee Stock Ownership:
Effect on Strategic Management and Performance

7. Mie Harder
Internal Antecedents of Management Innovation

8. Ole Helby Petersen
Public-Private Partnerships: Policy and Regulation – With Comparative and Multi-level Case Studies from Denmark and Ireland

9. Morten Krogh Petersen
'Good' Outcomes. Handling Multiplicity in Government Communication

10. Kristian Tangsgaard Hvelplund
Allocation of cognitive resources in translation - an eye-tracking and key-logging study

11. Moshe Yonatany
The Internationalization Process of Digital Service Providers

12. Anne Vestergaard
Distance and Suffering
Humanitarian Discourse in the age of Mediatization

13. Thorsten Mikkelsen
Personligsheds indflydelse på forretningsrelationer

14. Jane Thostrup Jagd
Hvorfor fortsætter fusionsbølgen udover "the tipping point"?
– en empirisk analyse af information og kognitioner om fusioner

15. Gregory Gimpel
Value-driven Adoption and Consumption of Technology: Understanding Technology Decision Making

16. Thomas Stengade Sønderskov
Den nye mulighed
Social innovation i en forretningsmæssig kontekst

17. Jeppe Christoffersen
Donor supported strategic alliances in developing countries

18. Vibeke Vad Baunsgaard
Dominant Ideological Modes of Rationality: Cross functional

integration in the process of product innovation

19. Throstur Olaf Sigurjonsson
Governance Failure and Icelands's Financial Collapse

20. Allan Sall Tang Andersen
Essays on the modeling of risks in interest-rate and inflation markets

21. Heidi Tscherning
Mobile Devices in Social Contexts

22. Birgitte Gorm Hansen
Adapting in the Knowledge Economy Lateral Strategies for Scientists and Those Who Study Them

23. Kristina Vaarst Andersen
Optimal Levels of Embeddedness The Contingent Value of Networked Collaboration

24. Justine Grønbæk Pors
Noisy Management A History of Danish School Governing from 1970-2010

25. Stefan Linder
Micro-foundations of Strategic Entrepreneurship Essays on Autonomous Strategic Action

26. Xin Li
Toward an Integrative Framework of National Competitiveness An application to China

27. Rune Thorbjørn Clausen
Værdifuld arkitektur Et eksplorativt studie af bygningers rolle i virksomheders værdiskabelse

28. Monica Viken
Markedsundersøkelser som bevis i varemerke- og markedsføringsrett

29. Christian Wymann
Tattooing The Economic and Artistic Constitution of a Social Phenomenon

30. Sanne Frandsen
Productive Incoherence A Case Study of Branding and Identity Struggles in a Low-Prestige Organization

31. Mads Stenbo Nielsen
Essays on Correlation Modelling

32. Ivan Häuser
Følelse og sprog Etablering af en ekspressiv kategori, eksemplificeret på russisk

33. Sebastian Schwenen
Security of Supply in Electricity Markets

2012

1. Peter Holm Andreasen
The Dynamics of Procurement Management - A Complexity Approach

2. Martin Haulrich
Data-Driven Bitext Dependency Parsing and Alignment

3. Line Kirkegaard
Konsulenten i den anden nat En undersøgelse af det intense arbejdsliv

4. Tonny Stenheim
Decision usefulness of goodwill under IFRS

5. Morten Lind Larsen
Produktivitet, vækst og velfærd Industrirådet og efterkrigstidens Danmark 1945 - 1958

6. Petter Berg
Cartel Damages and Cost Asymmetries

7. Lynn Kahle
Experiential Discourse in Marketing A methodical inquiry into practice and theory

8. Anne Roelsgaard Obling
Management of Emotions in Accelerated Medical Relationships

9. Thomas Frandsen
Managing Modularity of Service Processes Architecture

10. Carina Christine Skovmøller
CSR som noget særligt
Et casestudie om styring og meningsskabelse i relation til CSR ud fra en intern optik

11. Michael Tell
Fradragsbeskæring af selskabers finansieringsudgifter
En skatteretlig analyse af SEL §§ 11, 11B og 11C

12. Morten Holm
Customer Profitability Measurement Models
Their Merits and Sophistication across Contexts

13. Katja Joo Dyppel
Beskatning af derivater
En analyse af dansk skatteret

14. Esben Anton Schultz
Essays in Labor Economics
Evidence from Danish Micro Data

15. Carina Risvig Hansen
"Contracts not covered, or not fully covered, by the Public Sector Directive"

16. Anja Svejgaard Pors
Iværksættelse af kommunikation
- patientfigurer i hospitalets strategiske kommunikation

17. Frans Bévort
Making sense of management with logics
An ethnographic study of accountants who become managers

18. René Kallestrup
The Dynamics of Bank and Sovereign Credit Risk

19. Brett Crawford
Revisiting the Phenomenon of Interests in Organizational Institutionalism
The Case of U.S. Chambers of Commerce

20. Mario Daniele Amore
Essays on Empirical Corporate Finance

21. Arne Stjernholm Madsen
The evolution of innovation strategy
Studied in the context of medical device activities at the pharmaceutical company Novo Nordisk A/S in the period 1980-2008

22. Jacob Holm Hansen
Is Social Integration Necessary for Corporate Branding?
A study of corporate branding strategies at Novo Nordisk

23. Stuart Webber
Corporate Profit Shifting and the Multinational Enterprise

24. Helene Ratner
Promises of Reflexivity
Managing and Researching Inclusive Schools

25. Therese Strand
The Owners and the Power: Insights from Annual General Meetings

TITLER I ATV PH.D.-SERIEN

1992

1. Niels Kornum
Servicesamkørsel – organisation, økonomi og planlægningsmetode

1995

2. Verner Worm
Nordiske virksomheder i Kina
Kulturspecifikke interaktionsrelationer ved nordiske virksomhedsetableringer i Kina

1999

3. Mogens Bjerre
Key Account Management of Complex Strategic Relationships
An Empirical Study of the Fast Moving Consumer Goods Industry

2000

4. Lotte Darsø
Innovation in the Making
Interaction Research with heterogeneous Groups of Knowledge Workers creating new Knowledge and new Leads

2001

5. Peter Hobolt Jensen
Managing Strategic Design Identities
The case of the Lego Developer Network

2002

6. Peter Lohmann
The Deleuzian Other of Organizational Change – Moving Perspectives of the Human

7. Anne Marie Jess Hansen
To lead from a distance: The dynamic interplay between strategy and strategizing – A case study of the strategic management process

2003

8. Lotte Henriksen
Videndeling
– om organisatoriske og ledelsesmæssige udfordringer ved videndeling i praksis

9. Niels Christian Nickelsen
Arrangements of Knowing: Coordinating Procedures Tools and Bodies in Industrial Production – a case study of the collective making of new products

2005

10. Carsten Ørts Hansen
Konstruktion af ledelsesteknologier og effektivitet

TITLER I DBA PH.D.-SERIEN

2007

1. Peter Kastrup-Misir
Endeavoring to Understand Market Orientation – and the concomitant co-mutation of the researched, the re searcher, the research itself and the truth

2009

1. Torkild Leo Thellefsen
Fundamental Signs and Significance effects
A Semeiotic outline of Fundamental Signs, Significance-effects, Knowledge Profiling and their use in Knowledge Organization and Branding

2. Daniel Ronzani
When Bits Learn to Walk Don't Make Them Trip. Technological Innovation and the Role of Regulation by Law in Information Systems Research: the Case of Radio Frequency Identification (RFID)

2010

1. Alexander Carnera
Magten over livet og livet som magt
Studier i den biopolitiske ambivalens